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JOURNAL

OF THE

CANADIAN BANKERS' ASSOCIATION.

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BANKING IN CANADA.

PAPER READ BEFORE THE CONGRESS OF BANKERS AND FINANCIERS,
AT CHICAGO, 23RD JUNE, 1893,

By B. E. WALKER, ESQ.,

General Manager, The Canadian Bank of Commerce, Toronto; a Vice-President of the Canadian Bankers' Association, and one of its Delegates to the Congress.

In common with other social developments, modern banking is mainly the result of heredity and environment, and not of arbitrary legislation or the general admission in any wide degree of settled principles in the practice of banking. The student endeavoring to understand the science of banking, seeking to discover some body of principles underlying the practice of banking throughout the world, is confused by the radical differences between the systems of the various nations and the complicated nature of the conditions surrounding each of these systems. The most cherished dogma of one country is rank heresy in another. The principles suitable to an old country, with a compact population, a highly developed railroad and telegraph organization for the distribution of commodities and information, and wealth enough to be leaders to other nations, are not applicable to a new country with a scattered population, imperfect means of distribution, and little wealth apart from fixed property—a country, indeed, requiring to borrow largely from older and wealthier communities.

Again, if in any country banking has been left to develop itself in accordance alone with the requirements of trade, or nearly so, that country has been fortunate in this respect as compared with others, where the national debt, caused by war or extravagances in public works, has been made the basis of the currency. Sometimes, however, the condition of the present environment in two countries may be in many respects similar, and yet a practice in banking which has worked out desirable results in one of these countries cannot be attempted in the other. The body of banking principles in the other country may be so different, because of hereditary influences, as to make it impossible by any kind of evolution to add the practice which has proved so serviceable elsewhere.

I am aware that there is nothing new in this point of view, but in attempting to speak on the subject of banking in Canada, I cannot avoid comparison with this great count. y where banking systems are being keenly discussed, and where it is admitted that changes, perhaps of a radical nature, are necessary. In contending for the comparative perfection of the Canadian system I do not wish to be understood as asserting that the points of superiority in our system could be adopted here. For over half a century banking in the United States has been following lines of development opposed in many respects to the Canadian system, and it may well be that no matter how desirable, it is too late to adopt our practices.

My main object, however, is to describe the banking of Canada, and to demonstrate, if I can, its suitability to the requirements of trade in that country and not its suitability elsewhere.

BANK CHARTERS.

It has been occasionally urged by writers in financial journals published in the United States, that banking in Canada is a monopoly, and therefore unsuited to the democratic principles of this country. These writers have overlooked the fact that the

Province of Ontario, the centre of thought and progress in the Dominion, is the most democratic community in the British Empire, and that the legislation of Canada, whether in form or not, is in reality as liberal as it can well be. Banking in Canada is not in any sense a monopoly. Whether it can be said to be "free banking" as understood in the United States, depends on what is meant by that term. In the United States a certain number of individuals having complied with certain requirements—more numerous and complicated, by the way, than the Canadian requirements—become thereby an incorporated bank, if we regard the consent of the Comptroller of Currency as a matter of form. In Canada, merely in order to follow the British parliamentary methods, when a certain number of individuals have complied with certain requirements, they are supposed to have applied for a charter, which parliament theoretically might refuse, but which, as a matter of fact, would not be refused unless doubt existed as to the bona-fide character of the proposed bank. Then, as in the United States, on complying with certain other requirements and obtaining consent of the Treasury Board (performing in this case the same function as the Comptroller of Currency in the United States), the bank is ready for business.

The main difference in the matter of obtaining the privilege from the people to carry on the business of banking is that in Canada the subscribed capital must be $500,000, paid up to the extent of one-half, or $250,000, and this fact must be proved by the temporary deposit of the actual money with the Treasury Department. If it is contended that a monopolistic element is introduced by making the minimum paid-up capital $250,000, I have only to point to the varying minima of capital in the National banking system, based upon the population of the city or town where a bank is established. The minimum with us is placed so high because with the privilege to carry on the business of banking is attached the privilege to open branches and to issue a bank note currency not secured by special pledge with the government. In the opinion of many Canadians the minimum is too small. So much for the statement that banking is less "free" in Canada than in the United States. I think the very term "free banking," about which so much was written in the antebellum days, is a misnomer; and I hope there are many here who agree with me that a little less of freedom in the ability to create a bank, and a little more knowledge on the part of the people regarding the true function of banking, and its high place in the world of commerce, would be for the public good. What we want is the most absolute evidence, when a bank is created, that its projectors are embarking in a bonâ-fide venture and have put at risk a sum considerable enough to ensure that fact.

In Canada, as in the United States, shareholders in banks are subject to what is known as "double liability." For the benefit of any of my hearers who may not understand the phrase, I will quote the section in full: "In the event of the property and assets of the bank being insufficient to pay its debts and liabilities, each shareholder of the bank shall be liable for the deficiency to an amount equal to the par value of the shares held by him, in addition to any amount not paid up on such shares."—(Sec. 89). I can remember when the practical value of this power to call on the shareholders in the event of the failure of a bank for a second payment to the extent of the subscribed amount of the shares was doubted by many. Shares were transferred just before failure to men unable to meet such calls and willing to be used in this manner, or shares were found to be held by men of straw who owed a corresponding amount to the bank. Or, again, many of the shareholders were borrowers for amounts far in excess of their holdings in shares, and the failure of the bank precipitated their failure as well. and they were thus unable to pay. Of course there were always some real investors among the shareholders, but the value of the double liability was a very variable and doubtful quantity. These features have not, as we know, all passed away, but we have done as much as we could to guarantee an honest share list and to prevent the shareholder from escaping his liability. Banks are not allowed to lend money on their own or the stock of any other Canadian bank, and as the minimum paid-up capital of $250,000 must be deposited with the Finance Department before a bank commences business, this should ensure a bona-fide capital at the start. All transfers of shares must be accepted by the transferee. No transfers within 60 days before failure avoid the double liability of the transferror unless the transferee is able to pay. A list of the shareholders in all banks is published annually by the government, and this book is eagerly examined by investors to ascertain changes in the share list of banks which might indicate distrust. As the capital of each bank is large and the number of banks small relatively to the United States, there is, regarding everything connected with the credit of a Canadian bank, an amount of public scrutiny which leads to circumspection in the conduct of bank authorities. Again, the very fact that the capital is large and that the banks have many branches and a more or less national character, causes the stock to be widely held. In the largest banks the share list numbers from 1,800 to 2,000 names. We still, doubtless, have plenty of bad banking and will always have it. No legislative checks will prevent that, and even a severe public scrutiny will not altogether prevent it; but our banking history since the Confederation of the old provinces into the Dominion in 1867, shows that the double liability has been a most substantial asset, and has done much towards enabling liquidated banks to pay in full. In my own province of Ontario we have the fine record of no instance, save one, since Confederation in 1867, in which all creditors have not been paid in full.

In the case of this one blemish the dividends amounted to 99½ cents to depositors, only the unwarrantably high fees paid to the liquidators causing the dividend to fall below 100 cents. In the short life of this institution almost every sin in the calendar of banking had been committed.

TERM OF THE CHARTER.

Under the United States National Banking system the life of a bank is limited to twenty years from the date of the execution of the particular bank's certificate of organization, but at the expiration of the first, or any succeeding period, the bank, if it elects to do so, may have its corporate existence renewed for the same number of years. Under the Canadian system the charter of every bank expires at the same time, and the renewal period is only ten years. I do not intend to discuss the length of the period—most of us think it quite too short. It is the effect of all charters expiring at the same time to which I desire to draw your attention. This condition of things doubtless arose merely from the confederation in 1867 of the provinces which had granted the then existing charters, but which thereupon surrendered their authority over banking institutions to the Federal Government. As the charters granted by the old provinces expired, the banks working under them became institutions subject to the new Federal or Dominion Banking Act, and by its conditions every charter expires at the same time. This ensures a complete discussion of the principles underlying the Act, and of the details connected with the working of it, once in ten years. In the interval we are almost free from attempts by demagogues or ambitious but ill-informed legislators to interfere with the details of our system, but during the session of Parliament preceding the date of the expiry of the charters we have to defend our system from the demagogue, the bank-hater, the honest but inexperienced citizen who writes letters to the press, sometimes the press itself—indeed from all the sources of attack which institutions possessing a franchise granted by the people experience when they come before the public to answer for their stewardship. But while resisting the attacks of ignorance, we are, of course, called upon to answer such just criticism as may arise from the existence of defects in our system developed by the experience of time. Or perhaps, as when the Act was under discussion in 1890, we may see the defects even more clearly than the public, and may ourselves suggest the remedies. Whatever may be said for or against these decennial battles, the product of the discussion is a Banking Act, improved in many respects by the exchange of opinion between the bankers and the public. The banking system having been subjected to unsparing analysis by an unusually enlightened people—perhaps too democratic in tendency and too jealous of every privilege granted, but anxious to build rather than to destroy—is brought at each period of renewal to a higher degree of perfection.

BANKING PRINCIPLES.

What is necessary in a banking system in order that it may answer the requirements of a rapidly growing country and yet be safe and profitable?

1. It should create a currency free from doubt as to value readily convertible into specie, and answering in volume to the requirements of trade. In saying this I do not wish to be under-

stood as asserting that banks should necessarily enjoy the right to issue notes. Whether they should or should not issue notes must always, I presume, end in a discussion as to expediency in the particular country or banking system.

2. It should possess the machinery necessary to distribute money over the whole area of the country, so that the smallest possible inequalities in the rate of interest will result.

3. It should supply the legitimate wants of the borrower, not merely under ordinary circumstances, but in times of financial stress, at least without that curtailment which leads to abnormal rates of interest and to failures.

4. It should afford the greatest possible measure of safety to the depositor.

We think in Canada that our system possesses all these qualities, and we are confident that we have a currency perfectly suited to our trade and other requirements. We have not, however, arrived at our present reasonably comfortable condition by any other process than the usual slow development from a past full enough of error and bitter experience.

HISTORICAL SKETCH.

It is perhaps not generally known that we were among the first in modern times to issue *fiat* paper-money for general circulation. In 1685, in the time of the French regime in Canada, the Intendant could not pay his soldiers. The little struggling colony, after the manner of all new countries, was an absorbent of money, and France was nearly bankrupt and could afford no aid. So the Intendant, left to his wits alone and having a helpless people to deal with, cut playing cards into small pieces, wrote thereon his promises to pay, accompanied by the seal of France, and thus led the way in North America in this seductive method of paying debts. For the next thirty years this was the money of Canada. Although always written, because the people would not have accepted printed promises to pay, the volume rose to about $20 per head, when the usual results of *fiat* money followed. It was compromised, and the Government promised never to repeat the experiment. The poor colony, left with no regular currency, struggled for a time, but in 1729, at the request of the people, card money was issued again. They had now some experience but did not understand how to draw lessons from it, and the amount issued was so excessive that when the British took Quebec, and assumed the government of Canada, one of the most troublesome features in the settlement with France was the arrangement for the retirement of this currency. It would have been well if this complete exposition, although on such a small scale, of the unsoundness of *fiat* money, had served for all North America Mr. Sumner says there was a bank in Massachusetts as early as 1686 which may have issued notes, but there is a story in this connection so picturesque that I hope it is true. A couple of Massachusetts fur traders are supposed to have visited Canada a few years after the card money first appeared, and to have reported at home the prosperity resulting from the experiment, and so when the military expedition against Canada was organized in 1690, what more natural than that Massachusetts should have paid the cost in the first of that currency, which in its final stages of collapse has given our language that expressive phrase, "not worth a continental?" We were even smaller, relatively, in populatiou then than we are now, yet apparently you did not hesitate to adopt a very bad feature in our development. If we have anything to-day in our financial conditions worth your attention, I hope it will not the less merit your approval because the development is on such a small scale. Sound or unsound principles are perhaps more easily detected when a system has not become complicated beyond the capacity for analysis of the ordinary individual.

I will now, in as few words as possible, finish the historical sketch which is necessary to the clear understanding of our currency and banking as it exists at present. Shortly after you organized a bank in Philadelphia in 1781 and another in New York in 1784, the merchants of Quebec and Montreal began to agitate for a bank of issue. In those days a bank without the power to issue notes was of little use; but the people of Canada having very strong opinions on this subject, the attempt was a failure, although in 1792 a private bank of deposit resulted. The merchants tried again with the same result in 1807-8. But during the war of 1812 the Government found it necessary to issue some kind of paper money, and an Army Bill Office was created. These were the first paper notes put in circulation in Canada under

British authority, and as they were paid in full, the people must have been at last convinced that all paper money was not bad. In the Province of Nova Scotia, not then joined with us in the Dominion of Canada as it is now, Treasury notes were also issued in 1812. At the same time banking was growing rapidly in Great Britain and the United States, and in 1817 our first joint stock bank was created—that great institution of which we are all so proud, and which I am sure has done its share in making Chicago what it is to-day—the Bank of Montreal. ✓

From 1817 to 1825, two banks were established in Lower Canada (Quebec), and one each in Upper Canada (Ontario), New Brunswick, and Nova Scotia, all now doing business except one.

I will not attempt to follow the course of banking in the old provinces, but it is necessary to indicate the condition of banking and currency at the time of the Confederation of the provinces into the Dominion of Canada in 1867. There were thirty-nine charters, but only twenty-seven banks doing business. The charters expired at various dates from 1870 to 1892, and varied in accordance with the views regarding banking in the different provinces. In Upper and Lower Canada (Old Canada), shareholders were liable for double the amount of their stock, except that there was one bank *en commandite*, the "principal partners" having unlimited personal liability. In most cases notes could be issued equal to the paid-up capital *plus* specie and Government securities held. In New Brunswick charters had been granted without the double liability, but the principle was being insisted on in renewals, while in Nova Scotia in the opinion of some there was no double liability. In Old Canada and Nova Scotia, as a rule, total liabilities were restricted to three times, and in New Brunswick to twice the amount of capital. There was also one bank with a royal charter, head office in England, and shareholders not under double liability. The situation was further complicated by the "Free Banking Act," under which notes could be issued secured by deposit of Government debentures, and by the legal tender issues of the Governments of Old Canada and Nova Scotia. In 1866-67 two of the largest banks in Upper Canada failed, resulting in a very severe financial crisis.

Under these conditions, and after tentative legislation in 1867 and 1870, the first general Bank Act of the Dominion was passed in 1871 (34 Vict., c. v.) It confirmed the special features in the bank working under a royal charter, and that with "principal partners" personally liable, and it will be understood in any statements hereafter regarding banks as a whole that these institutions are not referred to. As the charters of other banks expired they were renewed under the Dominion Act. The first Act extended all charters for ten years, which practice has been followed thus far. There were various amendments during the first few years, but since then changes have been infrequent, except at the regular revisions in 1880 and 1890. The Act hereafter referred to is that assented to May, 1890, and which came into force July, 1891. (53 Vict., c. xxxi.)

NOTE ISSUES.

In the successive Banking Acts of the Dominion Parliament banks have been empowered to issue circulating notes to the extent of the unimpaired paid-up capital. By the first Act the note-holders had no greater security than the depositors and other creditors. At the renewal of charters in 1880, the circulating note was made a prior lien upon all assets; and at the last renewal in 1890 the banks, at their own suggestion, were in addition required to create in two years a guarantee fund of 5 per cent upon their circulation, to be kept unimpaired, the annual contribution, however, if the fund is depleted, to be limited to 1 per cent. The fund is to be used whenever the liquidator of a failed bank is unable to redeem note issues in full after a lapse of sixty days. Notes of insolvent banks are to bear 6 per cent interest from the date of suspension, until the liquidator announces his ability to redeem. Banks are also required to make arrangements for the redemption at par of their notes in the chief commercial cities in each of the provinces of the Dominion. The change in 1880 was caused by the failure of a small bank with a circulation of about $125,000, paying all creditors, note-holders included, only 57½ per cent. The change in the Act now in force was due to the demand for a currency which would pass over the entire Dominion without discount under any circumstances. The history of banking in Canada since Confederation shows no instance in which a depletion of such a guarantee fund would have occurred. Fines from $1,000 to $100,000 may be imposed for the over-issue of notes.

The pledging of notes as security for a debt, or the fraudulent issue of notes in any shape, renders all parties participating liable to fine and imprisonment. As the crown prerogative to payment in priority to other creditors had been set up on behalf of both Dominion and Provincial Governments, the Act places the claims of the Dominion second to the note issues, and those of the provinces third. Notes of a lesser denomination than $5 may not be issued, and all notes must be multiples of $5. Notes smaller than $5 are issued by the Dominion Government.

The distinctive features, therefore, of our bank note issues are:—

(*a*) They are not secured by the pledge or special deposit with the Government of bonds or other securities, but are simply credit instruments based upon the general assets of the banks issuing them.

(*b*) But in order that they may be not less secure than notes issued against bonds deposited with the Government, they are made a first charge upon the assets.

(*c*) To avoid discount for geographical reasons each bank is obliged to arrange for the redemption of its notes in the commercial centres throughout the Dominion.

(*d*) And, finally, to avoid discount at the moment of the suspension of a bank, either because of delay in payment of note issues by the liquidator or of doubt as to ultimate payment, each bank is obliged to keep in the hands of the Government a deposit equal to five per cent on its average circulation, the average being taken from the maximum circulation of each bank in each month of the year. This is called the Bank Circulation Redemption Fund, and should any liquidator fail to redeem the note of a failed bank, recourse may be had to the entire fund if necessary. As a matter of fact, liquidators almost invariably are able to redeem the note issues as they are presented, but in order that all solvent banks may accept without loss the notes of an insolvent bank, these notes bear six per cent interest from the date of suspension to the date of the liquidator's announcement that he is ready to redeem.

I have already stated, in attempting to outline what is necessary in a banking system in order that it may answer the requirements of a rapidly growing country, that "it should create a currency free from doubt as to value, readily convertible into specie and answering in volume to the requirements of trade." In an admirable paper on "The Note Circulation" read in December, 1889, before the Institute of Bankers, in London, England, by MR. INGLIS PALGRAVE, only two requisites in a note circulation are directly stated as essential: "First, that it should be completely secured. Second, that it should be readily convertible into metallic money." But the discussion which follows bears directly upon a third requisite, that it should answer in volume to the fluctuating requirements of trade, in a word that it should be elastic. This last is a much less important point, however, in England, than in North America.

In discussing bank issues I will reverse the order in which the three requirements are placed in MR. PALGRAVE'S paper and the ensuing discussion, and take up the question of elasticity first. I shall not attempt to discuss the many and conflicting views held regarding paper money, its use and abuse, and whether there is any scientific basis for its issue; but I shall endeavor to show to what extent it seems possible for note issues in North America to have a scientific basis with regard to elasticity. In Canada, as in the United States, the resulting difference in business transactions, after cheques and all other modern instruments of credit have been used, is almost entirely paid in paper money. It is therefore of the greatest importance that the amount of this paper money existing at any one time, shall be as nearly as possible just sufficient for the purpose. That is, that there shall be a power to issue such money when it is required, and also a power which forces it back for redemption when it is not required.

I may, therefore, I think, safely lay it down as a principle that: (1) There should be as complete a relation as possible between the currency requirements of trade and whatever are the causes which bring about the issue of paper money; (2) and, as it is quite as necessary that no over-issue should be possible, as that the supply of currency should be adequate, there should be a similar relation between the requirements of trade and the causes which *force notes back* for redemption.

Now, certainly, one of the *causes* of the issue of bank notes is the profit to be derived therefrom, and it is clear that an amount sufficient for the needs of trade will not be issued unless it is profitable to issue. Likewise it is clear that it should not be possible to keep notes out for the sake of the profit if they are not needed.

In Canada, bank notes, as we have seen, are secured by a first lien upon the entire assets of the bank, including the double liability, the security being general and not special—not by the deposit of Government Bonds, for instance. Therefore it is clear that it will always pay Canadian banks to issue currency when trade demands it. Because bank notes in Canada are issued against the general estate of the bank, they are subject to daily *actual* redemption; and no bank dares to issue notes without reference to its power to redeem, any more than a solvent merchant dares to give promissory notes without reference to his ability to pay. The presentation for actual redemption of every note not required for purposes of trade, is assured by the fact that every bank seeks by the activity of its own business to keep out its own notes, and therefore sends back daily for redemption the notes of all other banks. This great feature in our system as compared with the National Banking System*, is generally overlooked, but it is

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* It may be well to explain that while the note issued by a United States National Bank is nominally redeemable at the counter of the bank issuing it, it is practically not so redeemed, nor does actual redemption by the Bank take place, unless by the accident of the note being paid in across its counter along with the issues of other National Banks.

If a National Bank wishes to recover from the Government the bonds deposited as security for its notes, it is not required to return the actual notes issued, but can withdraw its bonds on the deposit of the necessary amount in any lawful money.

The National Bank currency is issued by several thousand banks and from the time when a note is first put in circulation it practically loses its specific character and becomes a mere part of the aggregate of such currency. It is true each bank keeps with the Government a fund amounting to five per cent. of its circulation, out of which the Government redeems any notes which may be presented, but the chief use of this fund is to rid the currency of mutilated, dirty, or worn out notes.

Although not actually a legal tender each National Bank is required to accept them for all debts due, except duties on imports, and may pay them out for all Government expenditures except interest on the public debt. What follows from this is obvious. So long as there is no distrust regarding the ability of the United States Treasury to redeem, redemption is not sought by anyone. It is to be remembered that in the United States (as in Canada) gold practically does not circulate as money. Apart from distrust because of this daily actual redemption that we have never had any serious inflation of our currency, if indeed there has ever been any inflation at all. Trade, of course, becomes inflated, and the currency will follow trade, but that is a very different thing from the existence in a country of a great volume of paper money not required by trade. I will not discuss at length this quality of elasticity in our system, because it is generally admitted. But some critic may endeavor to show that a similar quality might be given to a currency secured by Government bonds. In the older countries of the world it may be sufficient if the volume of currency rises and falls with the general course of trade over a series of years, and without reference to the fluctuations within the twelve months of the year. In North America it is not enough that the volume of currency should rise and fall from year to year. In Canada we find that between the low average of the circulation during about eight months of each year and the maximum attained at the busiest period of the autumn and winter, there is a difference of twenty per cent., the movement upward in the autumn and downward in the spring being so sudden that without the power in the banks to issue, in the autumn serious stringency must result, and without the force which brings about redemption in the spring there must be plethora. As a matter of fact it works automatically, and there is always enough and never too much.

If our currency were secured by Government bonds the volume in existence at any one time would be determined by the profit to be gained by the issue of such bond-secured currency. It would, therefore, be necessary to fix a maximum beyond which no currency could be issued, but as such an arbitrary limit would be mere legislative guess work, it would be productive of the evils incident to all efforts to curb natural laws by legislation. As we all know, when the National Bank charters were offered by the Federal Government to the State Banks, the bonds of the

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no bank would desire to encumber itself with gold as compared with United States notes or United States National Bank notes.

When gold is wanted for export it is obtained at the moment and almost invariably from the one source—the Government Treasury—in exchange for Treasury certificates representing gold previously lodged or for United States legal tender notes.

United States bore 5 to 6 per cent interest, and the business of issuing currency against such bonds was so profitable that a maximum such as I have referred to was fixed, with an elaborate provision stating how the banking charters were to be distributed as to area, in order that each State or section of country might have a fair share. This was followed by several adjustments, the last limit being $354,000,000, no one being satisfied with the interference with free banking, and the cry of monopoly being frequently heard. Subsequently the maximum was abandoned; indeed the business of issuing notes against Government bonds had become unprofitable and there was no longer any fear of inflation.

The condition in the United States under which the issue of currency was unduly profitable, and the fear of inflation was present, did not actually last many years, but it lasted long enough to create in the people a hatred of banks which does not seem yet to have quite passed away. The condition which followed showed, it seems to me, conclusively the unsoundness of the system in the matter of providing an elastic currency, a currency *at all times* adequate in volume. The currency wants of the country increased with the great increase in population, but the volume of National Bank currency decreased because by the repayment of the national debt and the improvement in the national credit the bonds which remained outstanding yielded so low a rate of interest as to make the issue of National Bank notes unprofitable. The Comptroller's statement shows that the volume of circulation secured by United States bonds, which ranged from 1866 to about 1880 at from about $300,000,000 to $350,000,000, has declined until the amount subject to redemption by the banks is now only about $130,000,000. The moral of this is plain. If the Government bonds yields such a low rate of interest as to make it unprofitable to issue currency, banks will not provide sufficient currency for the wants of the country. I need not remind an American audience that it was this unfortunate contraction which to a great degree made it possible for the Bland Act silver issues, from 1878 to 1890, to create so little financial disturbance.

I hope I have made it clear that if the business of issuing currency against Government bonds were profitable, too much currency would be the result; and if it were unprofitable, too little would be issued. We would require to have a condition of things under which the profit of issuing notes would at all times bear an exact relation to the amount of currency required by the country, the profit therefore changing not only as the currency rises and falls over a series of years, but at the time of the sharp fluctuations within each year, already referred to. No such relation, however, could very well exist with an issue based upon Government bonds.

The next quality in a currency to be considered is, "That it should be readily convertible into metallic money." I do not propose to discuss this at length. As I have pointed out, our safety lies in the actual daily redemption which arises out of our circulation being generally instead of specially secured. This is the best possible safeguard against suspension of specie payments. The United States National Banking System was created during a suspension of specie payments, and doubtless would never have been heard of but for that fact.

My last point is that placed first by MR. PALGRAVE in his discussion with the English bankers: "That the currency should be completely secured." I do not know whether we are to understand also that a note must pass throughout the entire country without discount for any reason, but I include that in the point to be discussed. Now, I contend that it is better for the reasons given, that bank issues should be based for security on the general assets of the bank, with a prior lien to other creditors; and also, that taking the world as a whole, such notes will be actually safer because the effect of a system of notes secured by Government bonds—a loan forced by the Government, practically—must sometimes be to produce national bankruptcy, as in the case of the Argentine Republic. Still, I cheerfully admit that the United States National Banking System has taught us that a currency issued by banks may be made to pass over the entire area of a great nation without discount. This is a great quality in currency. To the ordinary individual, who knows and cares little about banking except as it affects the bank note he happens to carry in his pocket, it appears to be the one quality necessary.

In Canada, experience has shown that as long as the notes are a prior lien on the assets of the bank, including the double liability, ultimate loss is scarcely possible,—has not at all events occurred as yet. To secure a circulation—at the close of December, 1892, of $36,194,023—the banks had assets of $305,730,910, to which the double liability of $63,169,643 is to be added, making a total of $368,900,553 or $10.19 of assets against every dollar of currency. It has been pointed out, however, that the assets are not thus aggregated against the circulation, and that all banks are not as secure as these figures seem to show. But the security in this respect, in regard to each bank, varies little from the general average, the lowest percentage being 6.18 as against the general average of 10.19. The lowest percentage applies to but two or three small banks, none others falling below about $8 for every dollar of circulation. To this we have added the five per cent guarantee fund applicable in its entirety to meet the notes of any individual bank.

THE BORROWER AND THE BRANCH SYSTEM.

In discussing the banking systems in older countries, the borrower is not often considered. Men must borrow where and how they can, and pay as much or as little for the money as circumstances require. I believe too strongly in the necessity for an absolute performance of engagements, to think that it is a requirement in any banking system that it shall make the path of the debtor easy. Every banker should discourage debt, and keep before the borrower the fact that he who borrows must pay or go to the wall. But in America the debtor class is apt to make itself heard, and I wish to show what our branch system does for the worthy borrower as compared with the United States National Banking System.

In a country where the money accumulated each year by the people's savings does not exceed the money required for new business ventures, it is plain that the system of banking which most completely gathers up these savings and places them at the disposal of the borrowers, is the best. It is to be remembered that this involves the savings of one slow-going community being applied to another community where the enterprise is out of proportion to the money at command in that locality. Now, in Canada, with its banks with forty and fifty branches, we see the deposits of the saving communities applied directly to the country's new enterprises in a manner nearly perfect. The Bank of Montreal borrows money from depositors at Halifax and many points in the Maritime Provinces, where the savings largely exceed the new enterprises, and it lends money in Vancouver or in the Northwest, where the new enterprises far exceed the people's savings. My own bank in the same manner gathers deposits in the quiet unenterprising parts of Ontario, and lends the money in the enterprising localities, the whole result being that forty or fifty business centres, in no case having an exact equilibrium of deposits and loans, are able to balance the excess or deficiency of capital, economizing every dollar, the depositor obtaining a fair rate of interest, and the borrower obtaining money at a lower rate than borrowers in any of the colonies of Great Britain, and a lower rate than in the United States, except in the very great cities in the East. So perfectly is this distribution of capital made, that as between the highest class borrower in Montreal or Toronto, and the ordinary merchant in the Northwest, the difference in interest paid is not more than one to two per cent.

In the United States, as we know, banks have no branches. There are banks in New York and the East seeking investment for their money, and refusing to allow any interest because there are not sufficient borrowers to take up their deposits; and there are banks in the West and South which cannot begin to supply their borrowing customers, because they have only the money of the immediate locality at their command, and have no direct access to the money in the East, which is so eagerly seeking investment. To avoid a difficulty which would otherwise be unbearable, the western and southern banks sometimes rediscount their customers' notes with banks in the East, while many of their customers, not being able to rely on them for assistance, are forced to float paper through eastern note-brokers. But, of course, the western and southern banks wanting money, and the eastern banks having it, cannot come together by chance, and there is no machinery for bringing them together. So it follows that a Boston bank may be anxiously looking for investments at four or five per cent, while in some rich western state ten and even twelve per cent is being paid. These are extreme cases, but I have quoted an extreme case in Canada, where the capital marches automatically across the continent to find the borrower, and the extra interest obtained scarcely pays the loss of time it would take to send it so far, were the machinery not so perfect.

As I have indicated, it should be the object of every country to economize credit, to economize the money of the country so that every borrower with adequate security can be reached by some one able to lend, and the machinery for doing this has always been recognized in our banks. That is surely not a perfect system of banking under which the surplus money in every unenterprising community has a tendency to stay there, while the surplus money required by an enterprising community has to be sought at a distance. But if by paying a higher rate of interest, and seeking diligently, it could always be found, the position would not be so bad The fact is that when it is most wanted, distrust is at its height, and the cautious eastern banker buttons up his pocket. When there is no inducement to avert trouble to a community by supplying its wants in time of financial stress, there is no inclination to do so. The individual banks, East or West, are not apt to have a very large sense of responsibility for the welfare of the country as a whole, or for any considerable portion of it. But the banks in Canada, with thirty, forty, or fifty branches, with interests which it is no exaggeration to describe as national, cannot be idle or indifferent in time of trouble, cannot turn a deaf ear to the legitimate wants of the farmer in the prairie provinces, any more than to the wealthy merchant or manufacturer in the East. Their business is to gather up the wealth of a nation, not a town or city, and to supply the borrowing wants of a nation.

There was a time in Canada, about twenty years ago, when some people thought that in every town, a bank, no matter how small, provided it had no branches, and had its owners resident in the neighborhood, was a greater help to the town than the branch of a large and powerful bank In those days, perhaps, the great banks were too autocratic had not been taught by competition to respect fully the wants of each community. If this feeling ever existed to any extent, it has passed away. We are, in fact, in danger of the results of over-competition. I do not know any country in the world so well supplied with banking facilities as Canada. The branch system not only enables every town of 1,000 or 1,200 people to have a joint stock bank, but to have a bank with a power behind it generally twenty to fifty times greater than such a bank as is found in towns of similar size in the United States would have.

But one of the main features of the branch system is connected intimately with our power to issue notes based upon the general assets of the bank. When the statement of a large Canadian bank is examined by an American banker, the comparatively small amount of actual cash must be noticeable. He will notice that the bank is careful to have large assets in the United States which may be taken back to Canada in times of financial strain there, and large assets in convertible shape at home, but having regard to actual cash as the machinery for carrying on the business at the counter, how can a bank with forty or fifty branches get along with so little cash? The simple answer is that the tills of our branches are filled with notes which are not money until they are issued, and which, therefore, save just that much idle capital and just that much loss of interest.

THE DEPOSITOR.

The legal position of the depositor is about the same in both countries. The note-holder's claim is preferred to his. We must not, however, expect that any government will relieve a depositor from the necessity of using discretion as to where he places his money. Governments never have done and never can do that. Men must look around, and after measuring the security offered, judge where they should entrust their money. It is perhaps easier for a man with limited intelligence to make a selection if the banks have large capital and are of semi-national importance, provided, of course, the basis of the system is not unsound, as in Italy and Australia. In Canada, we do not borrow from abroad, although we would not object to do so if money could be obtained at low enough rates of interest; our banks have large capital and small deposits relatively, and we do not lend on real estate. The Government statement at 31st December, 1892, shows that before depositors having claims amounting to $180,000,000 can suffer, shareholders must lose in paid-up stock and double liability as much as $126,000,000, and $25,000,000 of surplus funds, in all $151,000,000. There is probably no country in the world where greater security is offered to depositors.

When our charters were under discussion two or three years ago, I had occasion to defend our system, and I have copied freely from a pamphlet written by me at that time. I must not, therefore, omit to repeat a statement made then, which might excite criticism more readily, now that the banking system of Australia has collapsed. In making a comparison between individual banks with small capital, and banks with branches and large capital, I urged that :—

"The probability of loss to the depositor in one bank with "several millions of capital, is less than the probability of loss to "*some* of the depositors in ten or twenty small banks, having *in* "*the aggregate* the same capital and deposits as the large bank."

The retort will be quickly made :—"But if the large bank fails, the ruin will be just so much the more widespread."

This is quite true, but while it appears to be an answer to the point it is not. If the condition of two countries are about the same and the ability of the bankers and the principles of the banking system, are in other respects equally excellent, it must still remain true that the *probability* of loss to the depositors in one or more of the ten or twenty small banks is greater than the *probability* of loss to any of the depositors in the one large bank.

There are some features in our deposit business which may be interesting to American bankers. There are perhaps not half a dozen savings banks, as the term is understood in North America, in the whole of Canada, and those only in the largest cities, and there is really little need for the existence of any. The Government carries on the Post Office Savings Bank system, copied in some respects from Great Britain. It is unnecessary and unsuited to our country, but it perhaps affords the very ignorant a refuge from the dread of bank failures. The safe-guards always necessary when a government undertakes to carry on a regular business are so many and so tedious that the leading banks do not find it necessary to allow as high a rate of interest as the Government.

In addition to the Government we have as competitors for deposits the companies authorized to lend on real estate. Most of those companies, however, now borrow only on debentures at fixed periods. Some of this money is borrowed in Great Britain, but much of it is obtained at home. I may say here that while, as with you, banks have fortunately no power to lend on real estate, the restriction is perhaps no longer necessary, as land banking and mercantile banking are clearly separated in the minds of every intelligent man of business in Canada. And as the banks do not buy paper made for the purpose of obtaining money, as you do in the United States, but loan only to their own customers, supplying their entire wants, and seeing that the money is to make or move some product about to be sold, we do not so often discover that we have unwittingly been booming a corner lot, building a mill, or helping to float a company.

Returning from this digression to the subject of deposits, I have to deal with the objection, present I am sure in the minds of many of my hearers, that we pay interest on deposits. I am aware that many eminent bankers in the United States have expressed the opinion very decidedly that it is inconsistent with sound banking to pay interest on deposits. On the other hand, bankers in Great Britain and in Canada would say that any system of banking which will not afford interest on *certain classes* of deposits is unsound. I must hold with this latter opinion. It is entirely a question of the character of the deposit. Well managed Canadian banks do not give interest on active current accounts. But all Canadian banks issue interest bearing receipts, and, as you will have gathered, all, or almost all have Savings Departments. These deposits, great or small, are in the nature of investments by the depositor, and are not like the temporary balances of a merchant. They are entitled to interest. It is of vital importance to every nation that its people should have the saving habit. It is also of vital importance that all the money disbursed for labor, or to the farmer or otherwise, should find its way back as early as possible into the channels of commerce. Will it find its way back unless interest is offered for it? It will be said that the ordinary savings bank is the proper organization to take care of such deposits. So far as the very large cities are concerned this may be quite true. The mercantile banks of Chicago would not like to have been the creditors of the excited savings bank depositors who clamored for their deposits a few weeks ago. But is the ordinary savings bank an effective instrument for collecting the miscellaneous savings of the smaller communities? I think not. Be this as it may, we by our branch system, with the savings department added, provide in small towns where the ordinary savings bank is impossible, a secure place of deposit, and the quite large deposits of our leading banks are certainly the accumulation of tens of thousands of such depositors.

Banks are required once a year to make a return to the Government, which is published as a blue-book, of all unclaimed dividends, deposits or other balances of five years standing.

BANK INSPECTION.

We have in Canada no public bank examiner as in the United States, nor are our annual statements audited as in Australia. When the audit system was proposed we resisted because we felt that it pretended to protect the shareholders and creditors, but did not really do so, and if the audit did not really protect it seemed better that shareholders and creditors should not be lulled by imaginary safeguards, but be kept alert by the constant exercise of their own judgment. So far as we have ever discussed with the Government the question of public bank examiners, apart of course from denying the necessity for anything of the kind, we have confined our arguments to pointing out the impracticability when banks have many branches. This may in the minds of some, constitute an argument against branch banking. I simply state the facts. But we say that, while it may be very well—if it really does lessen bank failures—to have public examiners for the protection of the people, it is much more necessary with branch banking to have bank examiners, or as we call them, inspectors, on behalf of the executive of the bank. And I am aware that the practice is growing in the United States where everything is under one roof. When it comes to the quality of the work done by our inspectors, I would not admit that anything could well be better. In my own bank it takes five trained men an entire year to make the round of all the branches. Some of these officers devote themselves to the routine of the branches, verifying all cash, securities, bills, accounts, etc., testing the compliance of officers with every regulation of the bank, reporting on the skill and character of officers, etc., while the chiefs devote themselves to the higher matters, such as the quality of the bills under discount, loans against securities, indeed the quality and value of *every* asset found at the branch. They also deal with the growth and profitableness of the branch, its prospects, etc. Now all these matters have already passed the judgment of the branch manager, and the more important have been referred to and approved by the executive, so that it may be said that three different judgments are passed upon the business of the branch. But it will be said that the chief inspector may be under the sway of the executive and his reports a mere echo of the opinion of the latter. This is quite true—the reports may be dishonest. We do not tell the public that the inspector is specially employed for its protection. He, like the general manager, is merely a part of the bank's machinery for conducting business, and the public is left to judge of the bank by its chief officers, its record in the past, its *entourage*.

Our banks make a very full return to the Government at the close of each month. These are published during the month and are keenly discussed by the public. The Deputy Minister of Finance has the power to call for statements of any character at any time.

In the larger banks the officers insure their fidelity by funds established within the bank. Many of the banks also have funds for the superannuation of their officers.

RESERVES.

If my paper were not already too lengthy I would like to have discussed the question of reserves. You will not perhaps be astonished to learn that we hold with the majority of the banking world outside of the United States against fixed reserves. With us no reserves are actually required by law. The cash reserve in gold and legal tenders has averaged for some years about ten per cent., but you will remember that our till money is almost entirely supplied by the bank note circulation. The smaller banks keep their available resources in securities, call loans at home and balances with their bankers in Montreal and New York. The large banks, as you know, in addition to their securities and call loans in Canada, lend largely on easily liquidated securities in the United States.

The change making notes, those of denominations less than $5, are issued by the Dominion Government. The settlements at the clearing houses are made in legal tenders, notes of large denominations being issued by the Government for the purpose. Forty per cent. of whatever cash reserve a bank may keep must be in

Dominion legal tenders, a provision entirely in the interest of the Government, and so unworthy of our otherwise creditable system that we must hope our Government will some day relieve us of such an unscientific arrangement.

PRIZE ESSAY COMPETITION BETWEEN ASSOCIATES OF THE CANADIAN BANKERS' ASSOCIATION.

Award of Committee, May 20th, 1893.

SUBJECT No. 1.

(*For Accountants and Managers of not over two years' standing.*)

"STATE ALL THE POINTS CONNECTED WITH AN ENDORSER EITHER WHEN THERE IS ONE OR MORE THAN ONE, AND THE DIFFERENCE BETWEEN THE SECURITY OF A GUARANTEE AND AN ENDORSEMENT."

First Prize, $100.."Banker & Customer"..MR. V. C. BROWN,
Canadian B'k of Commerce.

Second Prize, $50.."Sailing Ship"..........MR. W. M. RAMSAY,
Merchants Bank of Canada.

SUBJECT No. 2.

(*For Officers not above the rank of Accountants.*)

"STATE CONCISELY THE VARIOUS POINTS TO BE NOTED BY TELLER WITH REGARD TO CHEQUES OR ANY OTHER FORM OF PAYMENT, AND DEPOSITS OR ANY OTHER FORM OF RECEIPT; ALSO OTHER MATTERS IN WHICH HE HAS TO DEAL WITH CUSTOMERS ACROSS THE COUNTER AND ESPECIALLY HOW HE CAN ADVANCE THE INTERESTS OF HIS EMPLOYER."

First Prize, $50.."Semper Eadem"........MR. E. W. CROMPTON,
Canadian Bk. of Commerce.
Second Prize, $25.."Qui non proficit........MR. J. W. HAMILTON,
(two) deficit" Bank of B. North America.
.... $25.."Cautionary Boldness"..Mr. J. M. MCPHERSON,
Molsons Bank

The following competitors obtained Honorable Mention in their respective subjects, and a special prize, and their papers will appear in the next number of the *Journal :*—

SUBJECT NO. 1.

Special Prize,	$20	"Fac et Spera"	MR. T. E. MERRETT, Merchants' Bank of Canada.
Do.	$20	"Reader"	MR. W. A. ALLAN, Merchants' Bank of Canada.
Do.	$20	"Awake"	MR. C. C. KIPPEN, Merchants' Bank of Canada.

SUBJECT NO. 2.

Special Prize,	$10	"Country Teller"	MR. GEO. MUNROE, Merchants' Bank of Canada.
Do.	$10	"Bordereau"	MR. E. P. HAY, Canadian B'k of Commerce.
Do.	$10	"Lazarus"	MR. J. B. PEAT, Canadian B'k of Commerce.
Do.	$10	"Deo Juvante"	MR. F. G. OLIVER, Merchants' Bank of Canada.
Do.	$10	"He does well who does his best"	MR. H. E. CHANDLER, Canadian B'k of Commerce.

PRIZE ESSAY.

STATE ALL THE POINTS CONNECTED WITH AN ENDORSER, EITHER WHEN THERE IS ONE OR MORE THAN ONE, AND THE DIFFERENCE BETWEEN THE SECURITY OF A GUARANTEE AND AN ENDORSEMENT.

Paper by MR. VERE C. BROWN,

Canadian Bank of Commerce.

I read the first part of the subject to call for a statement, naturally in any event from a banker's point of view, of the *legal* position of an endorser, but doubts have been raised as to whether it is not intended to embrace a discussion of the points that arise in considering the responsibility of an endorser as to means, character, etc., and I have thought it well to add a line, necessarily exceedingly brief, in that connection.

CONCERNING THE GENERAL LAW RELATING TO AN ENDORSER.

The principle underlying the law relating to Bills of Exchange is that they shall, as far as possible, carry the obligations of the parties to them that are expressed on their face, so that the free movement of these "wheels of commerce" may not be impeded by any uncertainties as to their validity that can, without undue harshness to individuals, be removed. And this principle is therefore the key to much of the law governing the position of an endorser.

WHEN AN ENDORSER IS HELD AS SUCH.

Without going so far back as to actually define an endorser it may be well to state the following points:

The delivery of a bill or note after endorsement must be with the endorser's consent to render him liable to an immediate party; but to a holder in due course good delivery is presumed, excepting where a bill has been stolen, in which case the endorser is not liable to anyone.

Where bills or notes not payable to bearer are delivered up for a valuable consideration without being endorsed to the holder, the latter may at any time demand the endorsement—with or without recourse depending on the nature of the transaction and the intention of the parties in the first place. But until such endorsement the title of the holder is subject to any equities attaching to the documents, and this is not cured by endorsement, if notice is given before the endorsement is actually made; excepting, however, where an endorsement was intended at the time of transfer and was omitted by "mistake, accident, or fraud," in which case the holder's title is made perfect at any time by endorsement.

> This provision as to equities would probably apply where, for any reason, a banker contents himself with the mere lodgment of bills or notes as security, with the understanding that if he should wish title in them given later on, endorsement would be made; as otherwise it is not easy to imagine a case where omission would be other than by mistake, accident, or fraud. In any event absence of consideration on the part of a prior holder would not constitute an equity.

Where the amount of a negligently drawn bill is increased after leaving an endorser's hands, if the alteration is not apparent he is liable for negligence, as well as the maker.

An endorser *may* be held liable in his personal capacity if, in endorsing a bill or note for a company, he merely adds words descriptive of his office, instead of making it read clearly as an endorsement for the company.

> "May be held liable," *e.g.*, if a bill or note is made payable to A. B. as treasurer of a company, or simply to The Treasurer, and he endorses it in that manner, *i.e.*, "A. B., Treasurer," he would be liable personally; but if it is made payable to the company and endorsed "A. B., Treasurer" he would not be liable. And this liability in the first instance would not be removed, even if the holder admitted that he understood he was only getting the endorsement of the corporation.

* * *

A banker may have to do with an endorser in two capacities: *As drawee:* where he has paid a bill drawn on himself, or * an accepted bill, or a note, of one of his customers payable at his bank.

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* It has since been pointed out to me that the banker's capacity in the two instances following is that of agent of the acceptor or promissor. The banker's position as regards an endorser, however, is not, I imagine, materially different in such capacity from what it is as drawee.

As holder: Where he acquires property in bills or notes other than as drawee, as by cashing a cheque on another bank, or discounting or making advances on bills or notes, or taking them as collateral security.

> Usually as "holder in due course," but occasionally not so, as when he takes overdue bills as security, as to which see under "Overdue Bills."

And in these transactions the banker understands:

LIABILITY OF AN ENDORSER.

as drawee, that the endorser to whom the money is paid is bound to indemnify him should the instrument not be valid, by reason of forgery of the signature of any endorser (but not the drawer's signature, which the banker admits in paying a bill), or should the endorser's title prove to have been defective; and "as holder in due course," that each endorser is individually bound absolutely to indemnify him should a bill or note for any reason be dishonored.

But an endorser may negative his liability by adding appropriate words (usually "without recourse") to his signature, showing clearly his intention only to pass the title, without liability on his part—that is, of course, where a banker chooses, or by the nature of the transaction is bound to accept such an endorsement.

> Such negation does not, however, affect the assurance that is implied by the mere passing of a bill, that it is a valid obligation of the persons who purport to be parties to it; and the holder of a bill so endorsed could recover from an endorser where any signature was forged, or if any party to it was in competent to contract, or the endorser had no title.

DUTIES OF THE BANKER AS REGARDS THE ENDORSER.

The liability of the endorser set out above is entirely contingent on the performance of certain important duties on the part of the banker:

1. *Duties as drawee:* If after payment it is discovered that a bill is not a valid obligation by reason of the forgery of any prior endorser's name, or other reason of which the endorser was not aware, the latter must be notified forthwith.

2. *Duties as holder in due course of a Bill of Exchange:*—Presentment for acceptance.—Presentment for acceptance to every drawee must be made within a reasonable time of (*a*) all bills that expressly stipulate for such presentment, (*b*) all bills payable at or after sight, and (*c*) all bills payable elsewhere than at the residence or place of business of the drawee.

> "Reasonable time."—Bills payable in the same place should be presented the same day if received within banking hours, at any rate sight or after sight bills, and if payable elsewhere they should be despatched the same day. Where bills are negotiated in turn by a banker, as bills on foreign countries, a certain delay is warranted by the state of the Exchange markets, etc.

While it is customary to present for acceptance other bills than those enumerated above, and would indeed in some cases amount to carelessness not to do so, it is not necessary in order to preserve the endorser's liability.

The drawee may be given two days in which to accept if he so requests, or if he indicates that he may accept in that time, but in the absence of such request or indication the bill must be treated as dishonored immediately.

An acceptance must be unqualified and by all the parties. From this rule, however, is excepted an acceptance for part of the amount, which may be taken if the holder thinks fit, but notice of the fact must be given at once, and in the case of a bill originating in a foreign country it must be protested as to the balance, as well as notice given.

Presentment for payment.—All bills not payable on demand must be presented for payment on the day of maturity, unless delay is caused by circumstances beyond the control of the holder.

Cheques must be presented for payment within a reasonable time, reasonable time being determined by the usage of banks and the circumstances of the particular case.

> The usage of banks holding a cheque drawn on a bank in the same place is to present for payment the following day, but where a bank is asked to present "without delay" the "circumstances of the particular case" would probably not justify following the custom of not presenting until the next day.

Demand bills must be presented within a reasonable time after endorsement.

> When an endorser places his name on an overdue bill it must be treated as payable on demand.

Notice of dishonor by non-acceptance or non-payment.—Notice of dishonor must be sent on its way not later than the following business day, to every endorser whom it is wished to hold. It is customary to notify every endorser, but any endorser may be selected without regard to the order in which he became a party, leaving him to notify any prior endorser for his own protection; excepting where two or more endorsers have endorsed jointly with the knowledge of the holder, when each of them should perhaps be notified if it is wished to hold any one of them. Notice given by an endorser enures to the benefit of the holder.

Notice of dishonor must be given even if presentment was waived. Notice of non-payment need not be given where notice of non-acceptance was given, unless, of course, the bill was subsequently accepted.

If an endorser, on whom it is intended to rely, is dead, and the fact is known to the holder, his representatives must be notified, if they can be found; otherwise notice left at the endorser's last known residence will suffice.

The return of a bill is sufficient notice.

Protest for dishonor.—All foreign bills must be protested for non-acceptance, and where not dishonored by non-acceptance for non-payment.

Bills drawn on Quebec must be protested for dishonor.

3. *Duties as holder in due course of a promissory note.*—While there are some important differences between the general law governing bills of exchange and that governing promissory notes, the same duties are imposed on the holder of a note in order to preserve the endorser's liability as have been set forth as to bills of exchange, with the exception, of course, of the provisions for presentment for acceptance and acceptance.

With a demand note, however, reasonable time for presentment for payment is widely different from that in the case of a demand bill. Demand notes are frequently given with the understanding that they may not be presented for payment for a considerable period, and it might not be considered an unreasonable time if they were presented barely within the Statute of Limitations.

A demand note, delivered as collateral security with the assent of the endorser, need not be presented for payment so long as it is held as such security.

THE ENDORSER IS RELEASED.

If any of the foregoing rules respecting presentment, notice, protest, etc., are neglected the endorser is released; except where any of them are expressly or impliedly waived by the endorser or excused by law.

> "Impliedly waived"—as, for example, where an endorser before maturity has asked for and obtained an extension of time.
>
> "Excused by law."—Presentment for acceptance is excused, (1) where, after reasonable effort, the drawee cannot be found, or (2) where he is dead or 'bankrupt,' or (3), irrespective of the holder's knowledge, is a fictitious person, or (4) is, with the knowledge of the endorser *when endorsing*, a person without authority to contract. Presentment for payment is also excused for the above three first named reasons, and, further, where a bill or note is made for the accommodation of the endorser, and the latter has no right to expect payment if presented. But, where there is more than one endorser, presentment for acceptance and for payment is necessary, in order to preserve the liability of the others.

Further, the endorser is released if the holder suspends, in a binding manner, his remedy against the principal party or any prior endorser.

> "Binding manner."—As if at any time before or after maturity, for a good consideration, the holder gives a promise, to the principal party or other endorser, to extend the time for payment, or, in the absence of consideration, gives a written undertaking *under seal* to extend the time. A promise not binding, as, for instance, not for a consideration or not under seal, would not release the endorser, as the latter's right to take up the bill at any time, and sue thereon, would not be affected by such an undertaking.
>
> The taking of interest in advance, for any greater period than the currency of the bill, is a notable example of a binding extension of time.

He is also released if his signature is intentionally cancelled by any holder, or if the signature of any prior endorser, or of the principal, is so cancelled.

But the endorser's liability is revived despite neglect of the holder, if the former, subsequently, with full knowledge of the facts, excuses neglect, or implies excuse, as by admitting liability, promising to pay, or making a part payment, etc.

A prior holder's neglect does not release an endorser as regards a holder in due course.

OVERDUE BILL.

Taking an overdue bill as security is, as already stated, the only common instance where a banker is a holder other than in due course. In this capacity he can only acquire a bill subject to any defect of title affecting it at maturity. An endorser would be released by a prior holder's neglect of duty, but absence of consideration to the drawer would not be a defect.

CONCERNING AN ENDORSER'S POSITION IN CASE PRINCIPAL DEFAULTS, ETC.

Where a holder has taken security from the principal party or from a prior endorser, any subsequent endorser paying the bill or note is entitled to the security, or may even demand that, before looking to him, immediately realizable security shall be applied as far as it will go. Security can only be surrendered without payment, at the holder's peril.

Joint endorsers, where the fact was known to the holder, should be sued together. Judgment against one is a bar to proceedings against the other.

ON THE BUSINESS ASPECT.

It will no doubt suffice for the purposes of this paper if I select for illustration the case of an endorser for a business house so weak financially that the banker's main reliance is upon the endorser; where the endorser's name is looked to in any lesser degree, the principles which should govern, in the case illustrated here would, of course, have only to be modified.

The considerations, then, which arise in a banker's mind are, in their natural sequence: the reasons for the endorser's willingness to assume so serious a risk as that involved in the case in point; the proportions borne by the amount of the endorsement to the claimed means of the endorser; the tangibility of the endorser's wealth, and the risks to which it is and may be exposed; and the question of his integrity.

In connection with the first point it is not enough that an endorser's means would probably render advances to such a business house reasonably safe; unless the business might fairly be expected to succeed under efficient management such an account has no proper place on a bank's books, though as to this the case may be somewhat different, perhaps, where the business is pressed upon a bank by the endorser himself. There should in every case be a legitimate and natural reason for the endorsement, and it is important that a banker should satisfy himself as well, that the endorser thoroughly understands the real nature and extent of the risk he is assuming. Where the latter is the case, and the endorser's ability to protect his own interests is clear, the banker has a very satisfactory measure of assurance therein as to the safety of his advances apart from the endorser's name, and as to the probable eventual success of the business.

As to the proportions which an endorsement may bear to the endorser's means, where there is a business connection, such, for instance, as the endorser having a monied interest in the business, it is natural for an endorser to be willing to come under obligation for an amount running close upon his entire capital, but where an endorsement is of an essentially "accommodation" character it is doubtful policy for a banker to lend money to anyone, in whose ability to repay it himself, he has no confidence, particularly when the endorser's liability would represent an important part of his means; it is, under any circumstances, a very ungracious task to collect from a secondary party a debt not incurred for his benefit in any way.

With regard to the reality of the endorser's wealth I do not see that the principles which apply here differ in any important measure from those applicable in the case of a principal party—that is to say, it is probably as indefensible a risk, in the case I have taken for illustration, for a banker to lend money without having satisfied himself of the endorser's actual position by information at first hand, as it would be to lend on the strength of a principal's name without full knowledge of his position. That bankers are sometimes content with the general reputation for wealth of an endorser is probably due to a tendency to lose sight of one aspect of the risk. There seems to be a temptation to view it in the light that, should the business fail, it is hardly probable, on the doctrine of pure chances, that the endorser will also become insolvent,—instead of setting out from the opposite direction and considering first of all whether, in the event of the endorser's wealth proving fictitious, or his coming to grief, the position of the bank's advances would be a serious one. A banker has not the same opportunities for observing the course of an endorser's affairs as in the case of the principal, and it is therefore the more essential that he should not only know the endorser's position, but be able to assure himself that his means will not be exposed to abnormal risks in any direction.

It would not ordinarily be necessary to discuss the question of the integrity of the individual, as presumably no banker deliberately trusts a man whom he believes to be dishonorable. I believe, however, that it is within the experience of bankers that the moral reasoning of men when called upon as endorsers for payment of a debt is distinctly different from what it is as principal parties for obligations in connection with which they have themselves benefited, and as a banker has no right of interference with the endorser's disposition of his assets until default has been made by the principal, the question of character in this connection cannot be too finely weighed.

THE DIFFERENCE BETWEEN THE SECURITY OF A GUARANTEE AND AN ENDORSEMENT.

An endorsement as already set out herein, covers an absolute undertaking on the part of the endorser that should the principal party to a bill or note not pay it, he will himself do so, without right to deny the validity of the instrument and, therefore, his obligation, for any reason whatsoever.

The obligation covered by an ordinary form of guarantee is much more limited. A guarantee must, of course, be in writing, and for a consideration (not necessarily a money one, nor necessarily stated in the guarantee), or in the absence of a consideration it must be under seal; it must be addressed to a person by name, and describe fully the bill or note it is intended to guarantee. A guarantee, unlike an endorsement, does not pass to a holder in due course; the guarantor is only liable to the person guaranteed or his assigns; and further, the guarantor is not precluded from denying the signatures of any of the parties to a note, embraced by the description in the guarantee; that is to say, a guarantee covering a note made by A. and endorsed by B. would not apply to a note made by A. with B.'s endorsement forged, nor to a note with A.'s signature, as maker, forged, and endorsed by B. Of course a guarantee might be made so wide as to specially cover the validity of signatures in such an instance as given, but such would not, in the nature of things, be often met with; or the circumstances of the case might alter the above position as regards validity of signatures, as, for instance, if a guarantor had knowledge of a signature being forged at the time of giving the guarantee; but the difference between the security of a guarantee and an endorsement in an ordinary simple case would seem to be substantially as set out above.

As to the duties of a holder as regards a guarantor, presentment for payment is not necessary in order to preserve a guarantor's liability, and as to notice of dishonor, while the prudent and natural course would be to notify the guarantor promptly, authorities seem to agree that omission to do so, unless under circumstances amounting to concealment, would not release a guarantor.

The guarantee oftenest met with in banking is one covering general advances to a customer, sometimes so comprehensively drawn as to guarantee "any liabilities" the customer may come under "in consideration of the bank agreeing to deal with him," but I have taken it that it is the fundamental difference between the security of the two forms of suretyship which should be stated.

"BANKER AND CUSTOMER."

STATE ALL THE POINTS CONNECTED WITH AN ENDORSER, ETC.

Paper by MR. W. M. RAMSAY,

Merchants' Bank of Canada.

The laws governing bills, or what are technically called drafts or acceptances, according to their condition, are applicable also to promissory notes and cheques. But special provisions and modifications have been made by the Bills of Exchange Act relative to notes and checks, incident to the essential difference in the construction of these instruments from each other, and from bills, and in consequence of dissimilar usage. The term "bill" is understood to convey the comprehensive meaning, unless exception is stated.

A bill is void which has been altered in any vital part, except against any party to it who has caused the alteration to be made, and subsequent endorsers. An endorsement, like an acceptance, must be written on the bill itself, but if written on an allonge or necessary supplement to a bill it is valid; and an endorsement on the "copy" of a foreign bill is equivalent to an endorsement on the original. A bill is payable to bearer if so expressed, or if the payee is a fictitious or nonexisting person; and the Act also declares that a bill is payable to bearer "on which the only or last endorsement is an endorsement in blank." This last clause is British law, and practice as well; but Canadian Banks may be expected to prudently continue following the rules established by custom in paying cheques until events discover to them what advantage, if any, there is to them in the provision. If, however, drawn payable to order and endorsed in blank, the blank endorsement may be converted into a special endorsement by any holder; and such blank endorsement is controlled by a subsequent special endorsement. If a payee or endorsee is not correctly designated, or if his name is misspelt, he may endorse as described in the bill, subjoining his proper signature, or, alternatively, he may endorse by his proper signature only. The transfer of a bill drawn or endorsed "Pay to John Smith" is not prohibited. The converse expression "Pay to the order of John Smith" does not compel the transfer of a bill; it is payable to him or to his order at his option. Therefore the several expressions, "Pay to John Smith," "Pay to the order of John Smith," and "Pay to John Smith or order," are of equal legal effect. The transfer of a bill is, however, prohibited if drawn or endorsed "Pay to John Smith only," or if "indicating an intention that it should not be transferred." The alteration of a cheque or bill from "order" to "bearer" should be regarded as a danger signal.

The endorsement, "John Smith, Agent," binds John Smith only, and not the principal for whom he acts. An endorsement "per procuration" binds the principal only up to the measure of the authority under the power of attorney he has granted, and no further. The Act explicitly declares that a signature "per pro" is indicative of limited authority. Hence no bill thus endorsed should be cashed without due proof of the title of the endorsee, and none of the many cheques exchanged by banks daily, and endorsed professedly under power of attorney, should be honored without the guarantee of the depositing Bank. An endorsement in a representative capacity may be made so as to negative personal liability. Precedent goes far to establish, however, that personal recourse must be *expressly* negatived to be adequate. Subsequent to the maturity of a bill it may be endorsed and the endorsement dated. Restrictive endorsements are manifestly dangerous, and should not be regarded as within the range of practical banking, always, of course, excepting restrictions or prohibitions such as "For deposit on account of,"—which are in their nature admissible, and occur in every day practice. The Act provides that a conditional endorsement may be disregarded, without harm, by the payer; but it might not always be easy to distinguish between conditional, restrictive, and prohibitive endorsements, and bankers are not lawyers. An endorsement given under coercion, or compelled by fear or other like influence, would be declared void if value had not been given. All banks do not give proper regard to the correct placing of their own endorsement on bills, notwithstanding the legal rule that several endorsements on a bill are presumed to have been written in the order in which they occur. Needless inconvenience might be caused in seeking recourse because it appeared on a bill, *primâ facie*, that the defendant was entitled to sue the plaintiff.

Capacity to endorse has to be kept in view, and exception recognized when necessary, as in the case of interdicts, minors, corporations not empowered by their act of incorporation, and not essentially organized for trading purposes, and others. *Capacity without authority* has too often in the history of banking been found to conceal a pitfall, notably through taking the signature of a firm, written by one of its partners otherwise than for partnership purposes. It has also to be borne in mind that the endorsement of a non-trading firm, as, for instance, a firm of solicitors, has not necessarily more effect than the endorsement of the signing partner only. Section 23, sub-section b. of the Bills of Exchange Act reads, "The signature of the name of a firm is equivalent to the signature by the person so signing of the names of all persons liable as partners in that firm." This clause may have been designed to express the law already determined. The words cannot be presumed to signify an intention to prohibit the repudiation, by his copartners, of a firm's signature written by any one member of that firm regardless of circumstances, as between themselves—*i.e.*, whether or not the obligation were incurred for partnership purposes, or had the authority of the firm. Thus the avowed accommodation endorsement of a firm would bind only the partner who had signed, as heretofore. It is significant of this conclusion that the annotations upon this clause by one of the first English authorities cannot be read to justify a construction favorable to banks with respect to accommodation signatures of firms, recognized as such. The clause is identical in the English and Canadian Acts; and the former, it will be remembered, has been in operation since 1882. It would, however, seem from the wording of the clause in question as if the holder of a bill might, as his advantage dictated, regard the endorsement of a firm as that of a firm, or as the joint endorsement of the individual partners.

In order to preserve the liability of an endorser, a bill which requires to be presented for acceptance must be so presented to the drawee or a person authorized to act for him, or, if customary, through the post office; unless such drawee be dead, or bankrupt, or cannot be found. And if such bill is not accepted within two days after presentation it must be treated as dishonored; and thereupon the holder has immediate recourse against an endorser. A time bill must be presented for payment on the day it falls due at a specified place or address, if stated therein, and to the proper person or his representative; otherwise at his place of business or residence; and if he has no known *locale* then at his last known place of business or residence; or, otherwise, to him wherever he can be found; or, as a last resource, at the principal post office in the place where payable, or through the mail if authorized by usage. If dead, presentation must be made to his personal representative, if such there be, and if known. Failure to properly perform these conditions loses recourse against an endorser.

Foreign bills, and bills in the Province of Quebec, should be protested for dishonor, by non-acceptance or non-payment, to preserve the liability of an endorser; but elsewhere in Canada than the Province of Quebec inland bills may or may not be protested at the option of the holder without affecting his recourse; but notice of the dishonor must be given to an endorser, if not by the usual mode of a notarial notice of protest, then by any other common-sense means which can be proved. If an endorser be dead the notice must be given to his personal representative, if such there be, and he is known. Such notice of protest or dishonor must be given not later than the next business day after maturity. If notice has been duly mailed and properly addressed to an endorser he is not released by non-receipt of it. It is questionable whether the notaries employed by banks always exercise diligence to ascertain the proper address of parties to whom they are required to give notice. A bill must be protested within five miles of the place where presented; or, if returned dishonored through the mail, at the place to which it has been returned. Notice to an endorser is necessary of the dishonor of a bill which has been lost or destroyed; and protest may be made on a copy or description of such bill. Protest and notice may, in case of need, be made and given through a Justice of the Peace instead of a notary.

To preserve recourse against the endorser of a note presentation must be made to the maker at a particular place if specified in the body of the note; or if a place of payment is *indicated* on a note, although not in the body of it, it must be there presented. The latter condition should be marked, as the editions of authorities such as Byles, Grant and others, commonly used for reference, express the regulation that a place of payment not contained in the body of a note, but appearing on it as a memo. only, may be disregarded, and presentation is *not* necessary. Protest of a foreign note is declared to be unnecessary, but is probably advisable in order to clearly charge a foreign endorser in his own country. In other respects the rules laid down as to the presentation, protest and notice of bills are equally applicable to notes.

Notes payable on demand, and endorsed, cannot in prudence be negotiated by banks in view of their obligation to present such notes within a "reasonable time" of the endorsement. The alternative is that the endorser is discharged. The Act, however, provides that endorsed demand notes may be held without presentation if delivered as continuing or collateral security, but only if the endorser's assent has been given.

A demand bill (say a cheque) which appears on the face of it to have been in circulation for an unreasonable length of time is, in legal effect, an overdue bill. And two months has been held to be an unreasonable time. An endorser would be discharged if such bill were not presented within a reasonable date of his endorsement. The several clauses bearing on this point appear to have the design of influencing prompt presentation, and affect chiefly the relations between drawer and payee, or subsequent endorser. The application of these clauses seems to be negative in so far as concerns demand notes not of recent issue negotiated for value (Vide sec. 85, sub. 3), and the apparent intention is to protect the holder, presuming he had not knowledge of defective title because of non-presentation. A banker probably looks into this far enough for all practical purposes if he sees an opportunity for those disposed to be litigious.

We have by usage made for ourselves a stringent law which renders us liable to our depositors for any default in correctly executing their orders upon us by cheque. It is our imperative duty to pay out the funds of a depositor whenever properly authorized to do so; and a bank must therefore satisfy itself that the endorsee of a cheque payable to order is the person entitled to receive the money, and should refuse payment until so convinced. But it is important to keep in view that a refusal to pay a cheque until the bank is satisfied as to the payee's identity involves the retention by the bank of the amount necessary to meet the cheque from the sum standing to the credit of the depositor, lest it should prove that the person who presented the cheque is entitled to receive payment of it. A bank is not obliged to regard any endorsements, although repeatedly transferred to order, upon a cheque drawn payable to bearer. This was recognized in England many years ago, and a Canadian Court not long since gave judgment to that effect in an action involving the point. A contingency in this connection is whether a bank would choose to pay on presentation a cheque drawn to bearer, although drawn by previous holders to order, or risk liability to possible damages by default of prompt payment. In the action alluded to fraud would have been prevented, as events proved, had the paying bank regarded the endorsement on the cheque; but it is quite possible that the next analagous suit to come under our notice will be taken by a *bona fide* holder of a cheque payable to bearer against the bank upon which it is drawn, because payment has been refused on presentation, on the ground that the cheque bore evidence of having been negotiated and endorsed payable to order. Thus we have no assurance that we can always choose even the lesser of two evils. The amendment to section 24 of our Act of 1890 expressly gives us recourse against any endorsers of a cheque subsequent to a forged endorsement, and against the bearer if endorsed in blank. There is no real advantage to banks in the provision which deprives depositors of recourse unless they give notice, within one year *after acquiring knowledge*, of a cheque paid on a forged endorsement having been charged to their account.

An unauthorized endorsement equally with a forged endorsement is wholly inoperative. The cases on record prove that, if remote, there is nevertheless danger of a bill being negotiated by another person of the same name as the rightful owner. Wrongful possession of a note or acceptance would be an obstacle to its being negotiated direct with a bank; but we reach an awkward *crux* if we presume that a cheque payable to John Smith falls into the hands of another John Smith. The bank upon which the cheque is drawn convinces itself beyond the peradventure of a doubt that the person presenting it is John Smith, and thereby intelligently and according to usage executes the order of its customer apparently. Nothing more could have been done by the bank unless it were in possession of some occult power enabling it to perceive that its client meant an entirely different person from the wrongful John Smith who presented the cheque, and whose possession of it *prima facie* indicated that he, being John Smith and no other, must be the rightful owner. But the fact remains that the bank has paid the cheque on a forged endorsement, and they have no right to charge their customer's account with it. This conclusion has not been reached unadvisedly. It is not always plain that law, common sense, and justice, are relative terms.

The practice of crossing cheques, common in England, originated amongst banks in that country for their own better protection in "clearing" cheques. But British banks are explicity granted immunity from harm should they pay any cheque of their depositors on a forged or unauthorized endorsement, unless, only, such cheque is paid across the counter and is crossed. Under these circumstances the practice is expedient and intelligible. A crossing upon the face of a cheque operates as a prohibition, as, although the person to whose order it is payable may comply with all necessary conditions in respect of endorsement, and, in this country, of identification, he has nevertheless no title to receive the money in payment of it from the bank on which it is drawn. Practically, by crossing his cheque a depositor orders his bank to pay the amount of it, not to the payee nor his assigns, nor to the bearer, but to another bank, or, if specially crossed, then only to *that* bank. Any holder or endorser may cross a cheque, or if already crossed generally may cross it specially, and a bank may add to a special crossing a further crossing to its collecting agent. The practice which prevails in Canada of endorsing cheques sent by mail "for collection on account of" the remitting bank, or specially to the order of the collecting agent, is perhaps not as safe as the English usage in that respect; our stamped endorsement might be obliterated without much difficulty, whereas a crossing is in effect an integral part of a cheque which would not easily be removed nor altered. Our Act gives the drawer of a cheque power to uncross it and order its payment in cash; and it would obviate much embarrassment if the British Act gave the like power specifically.

The deposit receipts issued by most banks are not transferable, and when so should be paid only to the person to whom they have been issued. When, however, as sometimes happens, a non-transferable deposit receipt is presented for payment by another bank, its guarantee should be required to ensure the paying bank against having to pay a second time. A receipt may be issued repayable to either of two persons; should one of whom die the endorsement of the survivor, and also of the legal representative of the deceased, are both necessary.

Warehouse receipts usually come into the possession of banks endorsed in blank. As a precaution against such securities falling into wrong hands they should be immediately endorsed by the receiving bank to its own order. It is the rule with most, if not all, banks, to convert on receipt, the blank endorsement of notes payable locally to their own order, although it is intended that such notes should not pass out of their own custody till paid, and the precaution is not inadvisable in handling Warehouse receipts. The same suggestion applies to Bills of Lading held for payment of relative drafts. This precaution is all the more necessary because such securities, being only pledged, cannot be stamped by banks with their "property" stamp.

Marine Insurance Certificates are taken by banks usually endorsed in blank by the person to whose order the loss is payable, and without requiring the Insurance Company's consent to the transfer. A certificate declares that it is subject to the conditions of the policy under which it is issued. Such policy does not, however, pass to the bank for examination, and might contain conditions and restrictions which would tend to vitiate the transfer of the certificate.

The security of an endorsement is specific, being limited to the instrument upon which it is written. The security of a guarantee is according to the terms upon which such guarantee is drawn; it may be limited to one transaction, or may cover an indefinite number of transactions. If a continuing guarantee expressing no limit of transactions as to number, it is usually terminable upon the discharge of the debt which it covers, but may express a specific date of expiry. A guarantee should reasonably state a definite limit of amount. In England it is established that delay granted to a principal debtor for payment absolves his surety, if the surety's consent has not been obtained, and therefore in taking a letter of guarantee care should be exercised to obviate danger on this ground. For the same reason, in England, and *perhaps* also in Canada, recourse may be lost against the surety (or accommodation party) on a note, whether as endorser or maker, if additional time is allowed the principal debtor without the surety's concurrence, or unless the holder expressly reserves recourse against the surety. It is on record in Canada that a letter of guarantee has been declared void because the guarantor was led to understand by the bank manager before executing the guarantee that his signing was only a matter of form.

ADDENDA.

In laying down the rule that foreign bills and bills in the Province of Quebec *should* be protested the writer has done so in full view of section 92, which provides that noting is sufficient at maturity. Section 51, which makes exception of holders in the Province of Quebec by depriving them of the option of protesting was, it is understood, interpolated in the Act by the influence of the notaries of that Province, who would probably fight to prevent any change which would deprive them of their emoluments. It should be remarked that the section in their interest (No. 51) renders necessary *notice of protest*, not notice of dishonor. But besides, presuming that protest were optional, there is no practical advantage in to-day employing a notary to note a bill, which is compulsory, and to-morrow sending notice to an endorser by other means than through the notary.

Reference to crossed cheques has appeared to the writer to be called for in this paper because of the influence of crossing upon negotiation, although realizing that the Canadian banking public are not likely to learn the expediency of crossing the cheques they issue until we fall in line with the English law in relation to cheques, should that ever happen. The agitation which took place at Ottawa in 1890 applicable to crossed cheques, a factor unknown in the banking practice of the Dominion at the time, suggests to my mind some sort of preparation, and the sequent idea occurs that possibly they had something to do with it who are interested in banking reform, and who may have been hopeful and farseeing enough to detect in this the thin end of the wedge.

SAILING SHIP.

PRIZE ESSAY.

STATE CONCISELY THE VARIOUS POINTS TO BE NOTED BY A TELLER WITH REGARD TO CHEQUES OR ANY OTHER FORM OF PAYMENT, AND DEPOSITS OR ANY OTHER FORM OF RECEIPT; ALSO OTHER MATTERS IN WHICH HE HAS TO DEAL WITH CUSTOMERS ACROSS THE COUNTER, AND ESPECIALLY HOW HE CAN ADVANCE THE INTERESTS OF HIS EMPLOYER.

Paper by MR. R. W. CROMPTON.

Canadian Bank of Commerce.

The following points should be noted by a teller with regard to cheques:

Authority to pay must be expressed upon a cheque, either by the marking of the ledger-keeper, or the initials of the manager or the accountant.

A teller is not relieved altogether from responsibility regarding the genuineness of the signatures, even though a cheque is marked good when presented to him, and he should remember that if he pays a forged cheque the bank has to bear the loss, as the amount cannot stand charged against the account of the depositor whose name is forged, but if such a cheque is presented by and paid to an innocent holder, payment may be recovered from him if a demand is promptly made.

A teller is held responsible for the identity of the payee or endorsee to whom he pays money on a cheque payable to order.

The amount expressed in words is the sum payable, if a discrepancy between words and figures exists.

Payment of undated cheques, or cheques dated on Sunday, should not be refused.

Any alteration in amount or otherwise should be initialed by the drawer.

If, in a cheque payable to order, the payee or endorsee is not correctly designated, or if his name is misspelt, he may endorse as he is described, and add, if he chooses, his proper signature, or he may endorse by his proper signature alone.

Any member of a firm can sign the firm's name for purposes which are strictly in connection with such firm's ordinary business.

When a cheque is payable to the order of an incorporated company, the teller must know that the officers signing have authority to do so.

When a cheque is payable to the order of the executors of an estate, and there be more than two executors, a majority of signatures is sufficient.

If a cheque is payable to the order of two or more payees or endorsees, that are not partners, all must endorse.

When a cheque is endorsed conditionally, payment is valid whether the conditions have been fulfilled or not.

A cheque drawn payable to the order of a married woman, say Mrs. John Smith, must be endorsed Mary Jane Smith, or whatever her christian name may be.

A cheque drawn payable to "bearer" is paid without the identity of the payee being established, though it is always well to refer cheques so drawn, for very large amounts, to a higher official before payment is made.

A crossed cheque should not be paid in cash across the counter.

If a crossed cheque has been reopened by the drawer of it writing within the transverse lines "pay cash" and initialing same, it should be treated as an uncrossed cheque.

A cheque that has been outstanding for an unusual length of time, should be referred to the manager or accountant before payment is made, especially if signed by the drawer's attorney.

Payment of a cheque after countermand of payment, or notice of customer's death has been received, renders the payer liable for the amount to drawer and heirs respectively.

Cheques on own branch should be stamped "paid" immediately after payment, and if any cheque on another bank or branch is inadvertently cancelled, it may legally be stamped "cancelled in error," or words conveying similar meaning, and the cancellation then has no significance.

Cheques form the principal medium through which money is drawn from a bank, and many of the foregoing points given in regard thereto, are applicable to the other forms of payment with which a teller has to deal, but there are special points to be observed regarding the latter, and amongst them are the following:

Bank drafts, letters of credit, and all such forms, should not be cashed until the teller has been made aware that advice of their issue has been received.

A bank's own dividend warrants are paid at par at any of its branches.

If a dividend warrant is made payable to two or more persons holding stock jointly, the receipt of one of such persons is a sufficient discharge to the bank for the money, unless express notice has been received by the bank to the contrary. In the case of executors, a majority of signatures should be obtained.

The law regarding crossed cheques applies also to dividend warrants.

A teller should see that the interest due upon a deposit receipt presented for payment has been checked by the officer appointed for the purpose, and the total amount paid—that is, principal and interest—should be written across the face of the receipt.

When cashing cheques, etc., on outside points, the regular commissions should be charged unless waived by higher authority.

Payment in torn or partially defaced Dominion or Bank notes is by law forbidden.

It is only compulsory to pay $100 at one time in Dominion notes, should a demand be made for them.

The following points should be noted with regard to Deposits:

The cash should be counted, and the various items offered, checked, and the whole carefully ticked off and compared with the figures on the deposit slip. Extensions and additions should also be checked.

Sight drafts, other cash items, and unmarked cheques on other banks, should be initialed by a higher official.

Particular care should be exercised with regard to the commissions on cash items—they should be exacted in all cases as authorized by the manager. Commissions are a good source of revenue to a bank.

A teller should see that sight drafts, &c., are properly drawn, and carefully check the endorsements upon the various cheques, &c., deposited as cash.

Crossed cheques on other banks may be taken on deposit and sent for collection in the ordinary way, but a cheque crossed specially to more than one bank should be refused.

Light gold should be avoided as much as possible, and silver should not be taken too freely.

American money is taken at par at many points in Canada, but a teller's attitude towards it is governed by the express directions of his manager.

A teller should inform himself fully as to banks no longer in existence, so as to quickly detect any bills of such banks offered in a deposit.

Forged bank notes must be stamped "Counterfeit" or "Forgery" before being handed back to the customer offering them.

A deposit for credit of a current account should not be taken from any one not authorized by the manager to have such an account.

A teller should initial every deposit slip as soon as checked and enter it in his blotter, but he should not, under any circumstances whatever, enter a deposit in a customer's pass book—whether current account, Savings' Bank, or any other—nor should he return the deposit slip to the customer, after it is initialed, to hand to the ledger-keeper for purpose of entry in ledger or pass-book. This is sometimes done in the smaller branches, but it is a practice fraught with much danger to the teller and the bank. The deposit slip should go direct from the teller to the ledger-keeper.

When taking payment of notes and other bills it is necessary to carefully compare the amount offered with that expressed on the bill, and all cheques, whether on own bank or other banks, offered in payment, should be marked good before the bill is handed out as paid.

The endorsement of the bank's customer should always be cancelled when a bill is prepaid by any other party thereto.

The signature of every applicant for a deposit receipt, or of a depositor in the Savings' Bank, or Current Account ledgers, should always in the first instance be obtained for purpose of comparison, either by the teller or other officer.

A teller's position is one of trust and opportunities, requiring the exercise of many qualities which should be sedulously cultivated and developed, among them being civility, courteousness, tact, and an unfailing command of temper; these are primarily necessary and daily requisite. By the exercise of them much good may be done, by their absence much more than a corresponding amount of injury to the bank's interests will assuredly ensue. His actions and conversation should not be such as to create an impression that he is a mechanical ornament—a species of automatic cash register—it is a mistake, and the creation of such a feeling will militate against his usefulness; but, on the contrary, he should display an intelligent interest in his work, and an evident desire to please those with whom he is transacting business, without going to the extreme of obsequiousness. If he is thoroughly interested in his work he will find many opportunities of doing good constantly coming before him, and they should be embraced. It is well for him to bear in mind, for instance, that a bank's circulation is an important factor of profit, and that any increase of it carries with it its percentage of profit, and it should be an object therefore to get it out amongst people, and into districts, with whom and where it will remain the longest, remembering that notes of the smaller denominations—especially fives—circulate more freely, and have consequently a longer life before finding their way back to the bank than the larger ones; and that as few legal tenders as possible should be paid out.

The Savings' Bank should receive as much attention as possible, and there is possibly no other officer in a country branch who can do more than a teller towards the building up of this valuable portion of a bank's business. In fact, were all the tellers employed by any bank, to enter into a compact to do their utmost to increase the total of the Savings' Bank deposits, and the increase could by any possibility be shown, the result most probably would surprise, not only the tellers, but many of the younger higher officials who somehow or other appear to become imbued with the erroneous idea that prosperity is reached solely through the eminence of their own abilities.

Customers' deposits should be carefully watched, more particularly those of customers having advances from the bank, and if anything of an unusual character is observed—such as a large deposit of the notes of another bank, legal tenders, &c.—it would be well to report the fact to the manager to whom it might prove interesting and valuable.

Above all, friction with customers should as much as possible be avoided, as it is always more productive of harm than good. Tellers, like all other bank officers coming constantly in contact with the public, are subject to numerous petty annoyances, yet many of the supposed causes for annoyance are more fancied than real, and frequently the result of a disordered temperament, and should not be honored with too much attention. The majority of a bank's customers are men of respectability and position, but they, far from being all alike, are most dissimilar; some are pleasant and easy to deal with, while others are an exact reverse and ready to take offence at almost anything; yet a teller can with care and tact avoid friction, and also make all the customers feel that the bank appreciates their business—the manager being the proper person to advise them to the contrary, should it be necessary. A teller should, in short, be possessed with the thought that the good-will and friendship of the public are absolute necessities to the existence of the corporation employing him, and that he himself was chosen to occupy his responsible position under the hope and expectation that he would prove himself capable of daily coming in contact with customers across the counter, without not only not giving offence, but of creating friends to his employers, and this can be done, and the interests of his employers best subserved and advanced, by the adoption of an obliging, courteous manner to all customers, no matter what their respective positions may be.

SEMPER EADEM.

STATE CONCISELY THE VARIOUS POINTS TO BE NOTED BY A TELLER, ETC.

Paper by Mr. J. W. HAMILTON,
Bank of British North America.

As the space allotted to us for the consideration of our subject is somewhat limited we will begin at once to consider the first clause, viz.: The points to be noted by a teller with regard to cheques and any other forms of payment.

In order that the bank may not sustain loss through his negligence, the first thing for a teller to note, when a cheque is presented for payment, is that it is complete and correct in all its material parts, which we will consider in their order.

The name of the bank must be designated in a cheque to a degree of certainty.

A cheque must bear date on, or before, the day upon which it is presented for payment, for it has been clearly defined that a bank has no authority to charge a cheque against the funds of its customer before the date thereof, therefore to cash a post-dated cheque is to assume the risks of countermand of payment between the date of cashing and that upon which it may be debited to the customer's account.

If a cheque bear evidence of having been out-standing an unusual length of time, the teller would do well to have the drawer communicated with before paying the same.

The amount called for in a check must be a sum certain. Should there be a discrepancy between the amount in writing in the body of a check and the figures on the margin, the amount in writing is the sum payable.

It is incumbent upon a bank to be familiar with the handwriting of its customers, therefore a teller must be thoroughly acquainted with the signature or signatures upon which a customer has authorized the bank to pay out the funds at his credit. A cheque bearing a forged or unauthorized signature is wholly inoperative, and to pay the same would not only entail loss, but would gain for the bank the unenviable reputation of negligence.

We now come to the point which is of paramount importance to a teller, viz.: whether a cheque is payable to bearer or order. If a cheque is payable to bearer, after seeing that it is complete in the parts already mentioned, the responsibility of the teller may be said to end with the correct paying of the amount. If, on the other hand, a cheque is payable to order the teller must bear in mind that a bank is bound to see that the instructions of its customers, as contained in the cheque, are carried out, therefore, if the drawer instruct that the amount is to be paid to A. Brown, or order, it is his duty to satisfy himself that he pays it only to A. Brown, or to the person to whom he has assigned his order by endorsement. If a cheque is payable to order and endorsed by the payee in blank, and the teller is satisfied that the endorsement is correct, he may then pay the amount to any bearer, but if the cheque has been specially endorsed by the payee then the same duty accrues to the teller towards the second or any such subsequent endorser as did towards the first.

In order to satisfy himself that the person presenting a cheque is the one entitled to receive payment thereof it is customary for a teller to require an unknown person to have himself identified by some one who is known in the office.

A bank paying a check upon a forged endorsement, not only surrenders its authority to charge the same against the funds of its customer, but loses recourse against all prior endorsers.

Where a cheque bears across its face an addition of the word "bank" between two parallel transverse lines, or two such lines simply, it is crossed "generally."

Where a cheque bears across its face an addition of the name of a bank between two parallel transverse lines it is crossed "specially" and to that bank.

The practice of crossing cheques is very little in vogue in this country as yet, owing to its recent introduction to the laws. It is a practice which arose many years ago in the Clearing House in London, and is especially designed to insure the payment of a cheque to the proper person, as the bank upon which a crossed cheque is drawn is expressly prohibited from paying it otherwise than to a bank. If crossed specially it must be paid only to the bank to which it is crossed, or to a bank acting as its agent. If crossed generally it may be paid to any bank.

The drawee of a crossed cheque only may reopen it by writing between the lines the words "pay cash" and initialing the same.

Should this custom of crossing cheques become universal in this country it would do away with, to a very large extent, that vexing question of identification.

Never pay a cheque after notice of the drawer's death.

It may be well to note here that some may claim that the responsibility in the matter of seeing that a cheque is properly filled up and signed is entirely with the individual ledger keeper, owing to the custom prevailing in this country of having cheques certified before being presented at the telling table for payment. However, a teller could hardly expect to be entirely exonerated from blame should he pay a cheque in any way incomplete or incorrect, even after certification, and, furthermore, if he is stationed in a large and busy office, he will find it almost impossible to have every cheque certified before payment, without keeping the person presenting it waiting an unnecessary time. A teller will find it a great safe-guard against cashing a cheque for which there are not sufficient funds, to keep himself familiar with the customers' balances; he will find this much easier than it would seem.

Besides the cheques of the bank's customers, a teller will be called upon to cash those upon other banks in the same town, or on outside points. With regard to the former, if a teller would avoid loss he should never cash a cheque upon another bank unless it has first been certified by such bank.

A cheque of the latter class should not be paid without the authority of the manager or officer in charge, who, where the payee is unknown, should require it to be endorsed by some responsible person known to him.

Never pay a cheque where one person signs for another, either as drawer or endorser, unless you know that the person signing has authority to give a discharge for the money.

Having noted the various points which claim the attention of a teller with regard to cheques, we may now proceed to the consideration of the other forms of payment, and the points therein to be noted.

A bank draft is an order by one bank, or one branch of a bank, upon another, to pay a certain person therein named a sum of money. Before cashing the same a teller should see that he has received advice from the issuing bank, and that he is satisfied of the payee's identity. Bank drafts like cheques are transferable.

A letter of credit is a request to a bank by a foreign correspondent to pay to the person therein mentioned a certain sum or sums of money. The letters used are of various forms and usually state the way the bank paying the money is to reimburse itself. Travelling letters of credit are addressed to one or more banks in different places, and are usually accompanied by circular notes, which are unsigned drafts for a specific amount, to be completed by the payee when having them cashed.

Before paying a promissory note or an acceptance, made payable at the bank ascertain that the promissor has funds at his credit; that the day of presentment is the correct due date of the same; and be satisfied that the endorsement of the payee is correct.

Besides the forms of payment already mentioned a teller will be called upon to pay to casual customers the proceeds of a note discounted, or bill of exchange purchased, by the bank. When making such payments he should see that he gets a receipt of some sort for the money paid out. The best system I know of is to place the proceeds of such note or bill to the credit of an account for that purpose in the individual ledger, and issue a cheque to the person to be paid, which he signs.

Should a teller be called upon to make any form of payment not mentioned here he cannot go far astray if he remember the three following points that the instrument upon which payment is being made is in order; that the identity of the payee is certain; that he gets a valid discharge for the money paid out.

When making any payment, a teller should bear in mind that he must upon the request of the person to whom any payment is being made, pay the same, or such part thereof, not exceeding one hundred dollars, in Dominion notes of one, two, or four dollars each, as such person requests, also that it is illegal to make a payment in Dominion or Bank notes torn or partially defaced.

We now come to the consideration of the second clause of our subject, viz.: Deposits or any other form of receipt. By the word receipt, here, we will understand, not a voucher signed on behalf of the bank for money deposited, but the receipt of a teller for any money paid into a bank for whatever purpose.

Before proceeding with the consideration of the points to be noted by a teller with regard to deposits, it may be well to note the law with regard to them.

By the Bank Act of 1891 a bank may receive money on deposit from any person whomsoever, whatever his age, status, or condition in life, provided only that where such person could not, under the laws of the Province where the deposit is made, deposit and withdraw money in and from a bank without this section, the amount to be held on account of such person shall not at any time exceed the sum of five hundred dollars. The persons affected by this proviso would be minors, lunatics, or persons who by the laws of the Province are unable to contract.

The deposits received by a teller from clients of a bank are of two classes, viz.: deposits on demand, and deposits on time.

The first class of deposits include all moneys deposited with a bank which are repayable on demand, and are usually placed to the credit of a customer in "current account." A teller should never open a "current account" in the bank's books for any person without first obtaining the manager's sanction, as he may be in possession of information which would render such person a very undesirable customer for the bank to have.

As persons who have a "current account" generally deposit funds to their own credit daily, and are familar with the bank's forms, it is usual for themselves to fill up the deposit-form supplied by the bank. When receiving a deposit a teller must note carefully its contents, to see that the amount therein said to be contained is correct, that all cheques, drafts, etc., which may be deposited, are in order and endorsed, and that the deposit slip is signed by the depositor. He should also note carefully the nature of the moneys deposited by each customer of the bank, as information of interest and even importance to the manager in charge may be gleaned therefrom.

Should it be necessary to make an alteration in the amount in a deposit slip, have the same initialed by the person making the deposit.

Bear in mind that money once passed to the credit of a customer is subject to withdrawal only by his order.

Do not pass uncertified cheques on other banks to the credit of a customer, for a larger amount than he would be able to immediately repay should they be dishonored. In fact a teller should endeavor to impress customers with the desirability of having all cheques certified before depositing them, but where this is impracticable he should send them out for certification as soon as possible, in order that the endorsers may not be relieved of their liability.

Deposits repayable after notice are much more valuable to a bank than those repayable on demand, therefore they should be encouraged and fostered as much as possible, and a teller can be of very real value to his employer in doing this if he only realizes the fact. These deposits are treated by the different banks in two ways, either the depositor is given a "Deposit Receipt," repayable subject to a certain number of days' notice and bearing interest at a certain rate, or he is given credit for the amount in the Savings' department, in which case a "Pass Book" is given the depositor. In this book are entered all deposits and withdrawals. The interest on these Savings' Bank deposits is credited in each account, usually, twice a year.

When receiving these "Time Deposits" a teller should take the full name and address of the depositor, also a specimen of his signature for future reference and identification, or if he does not write, see that some other means are taken for his future identification. He should also see that a correct specification of the moneys received is noted in the deposit slip, or application form, supplied by the bank, and that the same, where possible, is signed by the depositor. A teller should impress upon this class of depositors the fact that all withdrawals should be made in person, as the receipts given are not transferable, although some banks seem to allow their Savings' Bank accounts to be treated more like "current accounts" bearing interest.

Besides receiving money deposited with a bank by its clients, a teller will be called upon to receive payment for drafts issued, or any of the various forms for the transfer of money to outside or foreign parts, in all of which cases he should take, over the applicant's signature, full and explicit instructions as to the disposal of the money. He will also have to receive payment of all promissory notes and acceptances held by the bank; these should never be surrendered except for cash or an accepted cheque. In short, a teller will have to receive all money taken in by a bank, whether on deposit or in discharge of some debt due the bank, and in doing this he should see that the nature of the cash received is such as will not cause subsequent loss to the bank.

A teller must bear in mind that payment offered in discharge of any note or debt due the bank in its own notes or Dominion notes is a legal payment, and for a bank to refuse its own notes is an act of bankruptcy.

A teller is bound by law to cancel all counterfeit or worthless notes.

We now come to the consideration of the last part of our subject, viz.: "Other matters in which a teller has to deal with customers across the counter, and especially how he can advance the interests of his employer."

Besides the duties appertaining to all cash transactions a bank is interested in, the other matters in which a teller has to deal with customers across the counter will depend entirely upon the office he is in, and the distribution of the work, but to define his duties generally, it may be said a teller stands at the counter to attend to the public.

The best means whereby a teller can advance the interests of his employer are twofold, firstly, by a faithful and intelligent discharge of the routine duties of his office, and secondly, by his conduct towards that portion of the public who present themselves at the bank's counter.

In order to perform his duties intelligently it will be necessary for a teller to keep himself posted in all the points of law and usage relating to his work He must also remember that economy is one of the first principles of banking, therefore he should send in daily for redemption, all notes of other banks received, or should any of these be notes of banks having no agency in the place he must not allow them to accumulate, but remit them to the nearest point of redemption whenever he gets a reasonable amount, as the bank is losing interest on them while holding. Note carefully any cheques of the bank's customers coming in from other banks or outside points, also whether the bills held by the bank are promptly paid, and the nature of the payment, for by a careful noting of these, what are commonly called "kites," may very often be discovered, as well as other useful information.

Perhaps the best opportunities a teller will have for furthering the interests of his employeer will occur in his intercourse with the persons at the counter, for there is no class of clerks upon which the popularity of a bank so largely depends as upon the tellers, therefore, besides a general courtesy of manner towards the public, a teller should possess a peculiar urbanity towards the customers of the bank, with a readiness and anxiety to promote their convenience in any matters upon which they may require information.

He should always maintain perfect coolness and perfect evenness of temper, for by allowing himself to become flurried or losing his temper he simply invites error.

He should inspire the bank's customers, and, in fact, all with whom he has any dealings, to confidence in him, by being always perfectly straightforward in every thing he does.

He should never encourage customers in conversation, outside business matters, as it will waste both his own and their time. He should never mention any part of one customer's dealings with the bank to another.

He should not look idly on while a customer, who is unfamiliar with the bank's forms, is vainly endeavouring to fill one of them up, but try to make what business he has to do as easy and pleasant as possible for him.

If there is one habit more than another which a teller should avoid getting into it is that of taking customers to task for occasionally coming in a little late in the day, for he should remember that they may have been very much pressed for time, and may not have facilities for keeping money safely over night.

A teller should bear in mind that a bank's circulation is a valuable source of profit; he should therefore invite customers to use the notes of the bank in making any payments, and to deposit all sundry notes received.

One word more before concluding our subject. When an officer is placed in the teller's box he should realize that, perhaps, the best opportunities he will ever get will then offer themselves for the study of men and manners and business transactions; therefore he should keep himself keenly observant in everything that comes before him, for the lessons he learns while there will be of the utmost use to him should he come to occupy the manager's chair.

QUI NON PROFICIT, DEFICIT.

STATE CONCISELY THE VARIOUS POINTS TO BE NOTED BY A TELLER, ETC.

Paper by MR. J. M. MCPHERSON.

Molsons Bank.

CHEQUES.

Where is the cheque payable? Is it local or foreign? If local is it drawn upon his own bank or not? If foreign upon what bank is it drawn? Is it certified? What is its date? See that it is not dead, or dated a long time back, in the latter case it may be "stopped payment." Does the amount in the body agree with that in the figures? Are there any alterations, additions or substitutions of a suspicious nature? Does it bear any particulars showing that the cheque is drawn for any other purpose than the obtainment of cash, or for deposit, by the presentor, *i. e.* it is not drawn thus, for instance: "To pay George Powell's note" and made payable to the order of presentor as a precaution in case of cheque becoming lost. After satisfying himself that the cheque is drawn correctly in every particular, the teller will turn his attention to the endorsement. Does the person presenting it represent himself to be the same to whom it is payable? If so, he will make certain as to his identity, or, if the cheque be presented by a second party, he must see that it is properly endorsed by the payee, and assure himself that the endorsement will be a satisfactory one to the drawer. If he notices anything suspiciously like a "kite," he should at once call his manager's attention to it.

DRAFTS.

In paying drafts drawn by other branches of his institution, he will see that a proper advice has been received, and that no "stop payment" has been issued, and when he has assured himself by careful comparison that it is in order. the only necessary precaution, if payee is unknown, is identification; but in the case of foreign bank drafts he must treat them altogether differently, as he has no advice system to guard him, scrutinizing them closely and dealing with them with the same degree of caution that he would with a cheque; paying attention to a very ligitimate and by no means a small source of profit to the bank—a collection of a commission on such transactions.

DEPOSIT RECEIPTS.

He will proceed to the stub of the receipt which was retained by the bank at the time the receipt was drawn, and see that the stub and receipt agree exactly. This procedure he will find a precaution, or a detection in case of a forgery, for, if proper attention is paid to routine, the original or genuine receipt, if paid, will be neatly gummed to the stub and a forgery detected at once. He will notice whether or not the receipt has remained the length of time stipulated to bear interest, and also that the signature of the officers signing the receipt are genuine.

He must be positive of the genuineness of the endorsement, taking special care that the receipt has not been transferred to, and presented by, a second party. The teller will endeavor to ascertain for what purpose the money is withdrawn; if for deposit in another institution there must be a cause for its removal, which he will ferret out, and will use his best persuasions to have it remain.

The various points to be noted by a teller with regard to

DEPOSITS.

To whose credit? The date. Ordinary or savings bank? An old client or a new one? if the latter, let him interview the manager, as it is very essential a manager should know his customers. He will insist upon customers making out their own deposit slip, and will see that all cash and cheques handed him are precisely as detailed upon it. If any alteration is necessary he will be very wise to have them made by the depositor himself, in his own handwriting. Take care that no false notes are tendered him, and that all cheques and drafts are in perfect order, endorsements correct, and endorsers perfectly responsible. He will notice if the bank is entitled to any commission on any cheques or drafts deposited and collect this very legitimate profit, which latterly has drifted to a great extent from the coffers of the banks to the purses of their clients. A teller will be wise to make a practice of seeing all loose cash removed from his counter before commencing to count a deposit, for in the case of an error being made by the depositor, and a recount being necessary, he is then positive that all the cash received lies before him, and in case of contradiction he is in a position to resist all accusations.

PAYMENTS OF NOTES.

In receiving payments of notes, the teller will only need to see that all coin and notes offered him are genuine, or if paid by cheque he will see that it is certified. He will do well to notice if a regular customer of his bank, and presumably of his bank only, retires his notes, according to custom, by his own cheque on, or by notes of, another institution. This may be an evidence of the transference of the account from his bank to another, and if it is a valued client he may, by reporting the facts to the manager, be able to retain the account, as there is a possibility of a fancied grievance only, which the manager, by prompt application of the proper remedies, may dispel.

DRAFTS ISSUED.

He will have the client fill out and sign a requisition for his requirements. He will note where draft is to be drawn on, and whether his bank has a branch at that point or not. If not, have they par facilities? He will see that the commission is sufficient, and, before handing the customer the draft, he will compare it with, and see that it is drawn in accordance with, the requisition and properly signed, making certain that he has received the proper equivalent in funds, and taking care to issue no draft, even of a small amount, to strangers, without responsible identification. Many banks have suffered by departing from this rule.

DEPOSIT RECEIPTS.

He will have depositor fill out his requisition and sign it. See that he gets the value of the receipt issued and report to his superior officer any excessively large deposits made, especially when money is abundant, as it may be to the bank's advantage to refuse it.

RECEIPTS.

In receiving parcels the teller will note all particulars detailed upon the outside wrapper, comparing the figures of the bordereaux or letter inside, with those on the cover, and will preserve both until he is certain the contents are what they should be. In case of an error they may assist a fellow-officer to find where the mistake lies. If he has any doubt of the seals being intact he will break them before a witness. He will give due heed to his advices.

HOW CAN A TELLER ADVANCE THE INTERESTS OF HIS EMPLOYER?

By remembering at all times that his time is not his own but his employer's, and that he is paid for serving that employer to the fullest extent of which he is capable, and not for serving himself and suiting his own convenience, bearing in mind the fact that in serving his employer faithfully, he indirectly serves himself, by establishing an enviable reputation for faithfulness and sincerity in the discharge of his duty. By not fearing to put himself out, to a greater or lesser extent, when an opportunity arises to advance the interests of the institution of which he is a representative officer. By extending towards a demanding and a deserving public, a manner most courteous and obliging at all times, and under the most trying of circumstances, and by affording all information to any client whomsoever, that may facilitate him in the discharge of his banking business, never forgetting that he knows not whom he may be addressing, and that by the slightest service he may advance his employer's interest to a very considerable degree. Conscious that he occupies a most conspicuous place in the eyes of the public, coming in contact with all persons who bank at his institution, (for few persons enter a bank who do not, either to receive or deposit money, have to approach the teller), that officer has a most favourable opportunity of pleasantly impressing them, by a quiet, bright, willing, and yet a dignified manner, allowing of no familiarity. But he must be something more, he must be correct, for a careless teller liable to error, may do much to remove faith in his institution, and, through frequent mistakes cause many little unpleasantnesses which materially assist in driving away custom, rather than the retention of it, which should be his chief aim. He must practice obedience, obeying the orders of his superior officers without the slightest deviation, not forgetting that habits of obedience, punctuality, promptitude, &c., may be contracted as well as bad habits, and that by setting a good example he may be doing his fellow officers a life long service, as well as doing a just one to his employer.

A teller must be "*alive.*" His business is not merely the mechanical work of paying and receiving notes and coin, it is something higher. He must be on the watch, and allow no opportunity, however small, to pass by neglected. He must seize each one and hold it firmly, for there is nothing so sensitive as an opportunity if it is not made use of in a prompt and proper way; it takes offence at procrastination or neglect and is gone never to return; therefore as every little counts, a teller who would succeed must not slight the multitude of small things. A teller must practice and develop a power of observance. He can in the performance of his duties frequently obtain business for his institution, especially in deposits and *circulation*. In the cashing of cheque and drafts, by a question or two deftly put, he will sometimes discover that the money is wanted for deposit with an opposition bank, and by handling the customer properly he will save it for his own.

We will assume that a conscientious teller is also an ambitious one, and will not forget that every friend or enemy he makes, every dollar earned or saved, and every one lost, adds to or detracts from not only the reputation of himself and his institution, but also the reputation of his superior officers.

He will note the reason for withdrawal of deposits or accounts from other institutions, which are deposited with, or brought to his own, and will see that his own institution does not suffer in a similar way, and thus by benefiting his own bank, benefit himself, by profiting by the experience of others; and he will carry this invaluable quality further by watching how and where money is lost. Each transaction which has an unfortunate ending, he will take up at its inception, follow it clearly through each stage of its existence, see where the false step was taken, and where the bank should have stopped to avoid loss, and by constant practice of these researches, he will soon find that he is acquiring a knowledge at the expense of others that may stand him and his employer in good stead, and by the avoidance of such transactions, when he himself is placed in a position of responsibility, he will learn that the destiny of the branch he he guides, will be a much brighter one than it otherwise would have been.

He should acquire a knowledge more or less of every business in which the different clients of his institution are interested. We are assuming here, that some day he expects to serve his employer in a larger capacity than as a teller, for when he comes to the position of manager he will find himself quite incapable, unless he has prepared himself in this way, and what more fit time than when he is a teller! How can he advise his customers in connection with their business, unless he has a knowledge of it himself? How does he know where loss is likely to occur, and where profit is to be made unless he is posted? and if he is not able to do this he will find himself sadly deficient in a most necessary qualification for a banker to possess—that of being able to give sound advice, based upon knowledge and good judgment, when it is needed—and he will soon find his clients drifting from him to his more enterprising and better informed confrère.

A teller will cultivate self-control and coolness as he will frequently need so bring them into play, in the case of a "run" for instance. He will at such a crisis as that, beware of allowing the panic of the public to extend behind the counter. If he does this he will serve his employer well.

Add to this the quality of

"CAUTIONARY BOLDNESS."

SPEECH ON THE SILVER QUESTION IN THE UNITED STATES.

Delivered by B. E. WALKER, ESQ.,

GENERAL MANAGER OF THE CANADIAN BANK OF COMMERCE,

At the Annual Banquet of the Canadian Bankers' Association, at Toronto, on the 7th June, 1893, in Response to one of the Toasts.

I do not know whether you have heard of the old Irish captain who was always ready to respond to any toast, but who invariably responded to every toast by relating his personal experiences at the battle of Waterloo. In one respect I fear I am like the old captain, for between the toast and what I am about to say there is little or no relation.

When our President asked me this afternoon if I would respond to the toast of the Banks and the Banking Interests of Canada, I declined, but I offered to say something on the Silver question.

If we are to understand the Silver question as it exists in the United States to-day, it will be necessary to go back in history as far as the war. Shortly after the close of the war, in 1866, when the United States Government had paid off the bills of expense in connection therewith, the currency of all kinds not subject to interest exceeded $700,000,000; this consisted of (1) legal-tender notes, (2) the new notes being issued under the

National Banking system, (3) and a large amount of fractional currency, still required, because there was not only no gold or silver dollars, but also no subsidiary silver in circulation.

This was not by any means, however, all the paper money in circulation, for in addition there were some $830,000,000 of what were called treasury, or seven-thirty notes. These notes maturing in three years, and bearing seven and three-tenths per cent interest per annum, had half yearly coupons attached, and as soon as each coupon was cut off the notes were apt to go into circulation It is impossible to estimate what portion of these interest bearing notes circulated as money, but Mr. Spaulding, of Buffalo, who had much to do with the money legislation at this time, estimated the paper issues which acted more or less as currency, even as early as 1864, at over $1,000,000,000. A few years after, these treasury notes were almost entirely retired, but there was a considerable increase in the national bank circulation.

In 1873 the paper currency of all kinds amounted to about $750,000,000, and, apart from the fractional currency, this had been divided about equally between the legal-tenders or greenbacks and the national bank notes, and limits fixed for each. Among the many financial blunders in the United States, that of attempting to control the amount of paper money by making a rigid limit has been illustrated more than once. This, as you see, was a very large contraction as between 1866 and 1873, and as, in the Southern and South-Western States, there were a great many people in debt—people who had little to do with banks or wealth or finances—there was a very strong feeling in favor of what is called cheap money. They looked back to 1866 and saw high prices and apparent prosperity, and the old cry for "more currency" raised first in America by the Massachusetts colonists, early in the eighteenth century, was heard.

So you will see that in 1873 there was a large party in the United States who favored the free issue of money, not in silver, but money based on the credit of the Government. Some thought that if the Government issued legal-tenders instead of the national bank notes, the country would save interest on the bonds which the banks had to deposit as security for their circulation, and this feeling was intensified because the aggregate of legal-tender money had been as high in 1865 as about $450,000,000 and had been reduced to $356,000,000 and fixed at that point.

In 1875 the bill for the resumption of specie payments was passed, the resumption to take place in 1879, and a stock of gold had to be accumulated in the meantime. This gold stock amounted to about $130,000,000, and you can understand how objectionable this was to the cheap money or greenback party. They did not believe in gold, and they did not want to see a further contraction take place in order to secure this stock of gold which was to bring about resumption. This party reached such strength that a bill was passed authorizing practically *fiat* currency—passed through Congress and Senate, and indeed it is alleged that President Grant actually signed it, but changed his mind and vetoed it. The greenback heresy was not, however, killed, although the bill was. It will be readily understood that in looking forward to the time of resumption in 1879, there was great dissatisfaction through a large part of the United States. You can also understand how it came about that the silver miners saw that they could make use of the voters in those agricultural states who wanted some kind of money that was cheaper than gold. They did make use of this dissatisfaction and obtained the passage of the Bland bill in 1878. In order, therefore, to get at the history of the silver heresy, we must go back to the earlier heresy in connection with paper.

The Bland Act of 1878 was, like much other legislation, a compromise. The silver advocates wanted free coinage, that is, the right to bring their silver bullion to the Mint, have it coined into dollars of the old standard of 412.5 grains and returned to them, as they are still permitted to do with gold. Much was made of the fact that down to 1873 free coinage existed, but the fact that the average amount coined for forty years was only about $160,000 per annum, was not so freely admitted. On the other hand it was thought by some of their opponents that as the gold which the country would have as the basis of the currency when the Resumption Act came in force was only $130,000,000, it would be well to have a certain amount of silver. So the mandate was issued that the Mint should buy silver bullion at a rate not less than $2,000,000 a month and coin it into dollars

The effort to put these silver dollars into circulation was in a certain sense a failure. They never got rid of more than $60,000,000 or $70,000,000 of the actual coins, and the Government, having power under the act to issue treasury certificates against the silver in sums not less than $10, had to depend mainly on this form of currency being circulated. The clearing houses of New York, Boston and elsewhere concluded to have nothing to do with them. But the South did not object to them, and the Government resorted to expedients, some of them rather undignified, we would think, to get the certificates into circulation. The northern banks being obstinate and the change-making notes—smaller than $5—being all of the old legal tender issue, the Government concluded to withdraw these and substitute $1 and $2 silver certificates. The northern banks had to accept these, and as the South and West were becoming richer, the silver currency circulated in these states was constantly returning to New York, and eventually, the northern banks submitted and accepted the objectionable money. While these silver certificates merely represented the obligation of the Treasury of the United States to hand to the bearer so many actual silver dollars they were receivable by the Government for duties, and thus for a time they were sure to be practically as good as gold. From 1878 to 1884 the country apparently absorbed the new currency, and the National Bank note currency also slightly increased, the total increase from both sources being about $150,000,000. But in the East trouble was anticipated and borrowers even exacted gold contracts for loans of long periods. I can remember that in about 1881 or 1882 we were already expecting the disaster which has only now overtaken the country.

Let us now consider the period from 1884 to 1890. It was, on the one hand, a time of great prosperity, and the country received enormous amounts of gold from abroad. Because of the high tariff they had a large surplus in the revenue, with which they paid off the national debt at a rate unknown in the history of nations. The bonds, thus being rapidly called in for payment, when held by a National Bank could be replaced by purchasing others, but this soon became unprofitable, and from 1884 to 1890 the contraction in the outstanding notes, for the redemption of which bonds had been held, amounted to nearly $200,000,000. Now, if the yearly issue of silver or silver notes under the Bland Act only amounted to $25,000,000 to $30,000,000, and if in six years the currency was contracted nearly $200,000,000 by the withdrawal of National Bank notes, it is easy to understand why there was no trouble. The silver issues simply filled the gap made by the retired bank notes. The silver advocates were able to say to the Eastern bankers: You croakers have been prophesying disaster for years, but the country uses up quite easily all the silver currency issued.

But the price of silver kept falling, and so in 1890 the silver advocates urged again their original views. They wanted in 1878, and they now wanted in 1890, free coinage—the right to bring 412½ grains of silver, even if only worth 60 or 65 cents, and have it stamped good for one dollar by the Mint. The Eastern bankers did their best to induce the politicians at Washington not to yield further to the silver faction, but politics ruled, and the so-called Sherman Silver Purchase Act was the result.

The Act was a compromise, and it is lamentable that such an eminent financier as John Sherman should have his name coupled with it.

The conditions of the Silver Act of 1890, however, differ from the Bland Act very materially. The amount of silver bullion authorized to be purchased under the old Act was $2,000,000 per month as a minimum and $4,000,000 as a maximum, the actual silver bought and coined being a little above the minimum; under the new Act 4,500,000 ounces are purchased monthly, and not coined into dollars unless required for public use. Under the old Act the notes representing the silver dollars were really the warehouse receipts of the Treasury; but the notes issued to defray the cost of the 4,500,000 ounces per month are a full legal-tender. The notes under the old Act were redeemable by the payment by the Treasury of the actual silver dollars represented, while the new notes are the direct promise to pay of the United States, and are redeemable in "coin." The new Act recites the fact that it is the established policy of the United States to "maintain the two metals on a parity," and the Secretary of the Treasury is given discretion to redeem the notes in gold, which thus far he has practically always done. The Secretary also has power to sell bonds in order to protect the public credit. With this declaration of policy and this large discretion in the Secretary it was believed the enlarged amount of currency would work no harm.

But if those who were responsible for this legislation had viewed the future with accuracy, the Sherman Silver Purchase Bill would never have become law. The expenditure of the Government had been enormously increased by pensions and public works, so that there was no longer a large surplus in the revenue. Therefore there was no longer power to reduce the public debt, and no bonds being called for redemption, there was no further contraction of the National Bank currency. Apart from this, the amount of bonds held by National Banks to secure currency was, in the majority of cases, down to the minimum required by law. No room for more currency based on silver could be expected from this source, and owing to this and to the increase in the amount of silver purchased, the volume of new currency which must be absorbed by increased public requirements, or become a source of trouble, was very much larger indeed than under the Bland Act.

Trouble was deferred by some factors in the problem, but it came very soon. The crops of cotton and cereals marketed in 1891–2 were phenomenally large and the exports in consequence were unprecedented. This, together with the new duties to be imposed by the McKinley Bill, caused the imports for 1892–3 to increase beyond any previous year, while the corresponding crops with which to pay were not only moderate in volume, but low in price. Speculation in business had gone quite beyond prudent limits, and extravagance in expenditure of all kinds, public and private, was beyond all past experience.

During these years Austria, because she was building up a gold stock preparatory to a resumption of specie payments, and France, always ready to buy gold from nations who do not know how to value it, were acquiring gold as opportunity offered. So that while the enormous exports of 1891–2 should have caused the United States to receive large sums in gold, securities came home instead; and when the large imports of 1892–3 had to be paid for, the terrible drain in gold, which we have witnessed with so much concern, was quite natural. Doubtless securities were sent home to some extent because of uncertainty as to the parity of gold and silver being maintained, but I am disposed to think that this has not been so much the case as many suppose. If gold is ordered from New York by a European banker it has to be paid for in some way. If the conditions of ordinary trade do not permit the shipment, securities generally come home. American securities in Europe are at such a time apt to be worth more for the purpose of being sent home than for the uses of an investor there. This is too obvious to need explanation to bankers.

Well, this drain of gold has gone on until the stock in the Treasury is below what is arbitrarily called the danger point, $100,000,000. The fear that the Treasury may not be able to maintain the parity of gold and silver is spreading, and the evil results of all the folly which has been committed since 1878 are at last evident to all who wish to see.

But there are two other grave defects in the financial machinery of the United States which aggravate the present troubles—the Banking system and the Treasury system. The United States Bank had many blemishes, but they were defects in management rather than in the principles on which the bank was based, and when Andrew Jackson ruthlessly killed it by vetoing the re-charter in 1832, he condemned the United States to depend upon thousands of small banks, individually weak and unable to concentrate the banking forces of the country in times of trouble. Had it not been for this blunder the Government in the early years of the war would not have been so helpless, and, doubtless, the mischievous theory that the Government should create the currency would not have taken such a strong hold of the people. If it had not there would have been no Silver question to discuss to-night. When Jackson had struck his blow at the great state bank, he tried to use the smaller institutions as bankers for the Government, but this experiment failed, and as a result, the Independent Treasury Act was passed in 1840. Unfortunately, during the past half century almost as many people have believed this Treasury system to be sound financial policy as have believed in the National Banking system. But it is really the financial system of the old woman who hides her money in a teapot instead of entrusting it to a bank. The citizens of the United States, individually, are expected to trust banks, but collectively they must not. What is the difference between an Indian rajah who puts his rupees away in a great vault, and the United States Treasury, which abstracts from the currency of the country, and hides in its vaults, the gold, paper or silver it receives in excess of each day's disbursements, yielding it up only when the disbursements exceed the receipts? Whatever is the average cash lodged in the Treasury is thus permanently withheld from the volume of currency used by the business community, and in proportion as the receipts and disbursements differ from time to time, there is a contraction or expansion of the currency in general use. What mischief this caused when the receipts were nearly half a million dollars per day in excess of ordinary expenses, and this surplus was accumulated to pay off bonds, we all know. Is it any wonder that when money was stringent in New York the bankers implored the Secretary of the Treasury to "call more bonds." They were in effect only asking an institution which was "hoarding currency" to return it to the circulation of the country. Scientifically there is no difference between the United States Treasury system and the old woman who trusts only her tea-pot, or her bed-tick, or her stocking, as a savings bank.

Let us now consider the bearing of all this on the Silver question. The destruction of the United States Bank caused the Independent Treasury Act. There being no great state bank, the Government in its hour of peril, in 1861, issued, for the first time, ordinary currency in the shape of circulating notes not bearing interest. This seductive method led to the theory that the Government should create the currency of the country, and the prevalence of this theory enabled the silver miners to befog the intellect of a majority of the people and obtain the legislation we have been discussing. But by issuing the currency of the country the Treasury assumed responsibilities tremendous in extent and not contemplated at all by the originators of the system. The Government undertook, with some classes of currency directly, and with some indirectly, but with all, practically, that they should be redeemable at the Treasury in gold. The foreign banking business of the United States is, for reasons you all understand, transacted mainly by private bankers and the agencies of foreign joint-stock banks. The national and state banks cannot be compelled to pay out gold. Therefore when the currency of the world, which is gold, is required for shipment abroad by a banker dealing with foreign countries, the Treasury is the only source of supply. But as the Treasury is not a bank it has no machinery by which it can repair a breach in its gold stock. It cannot buy it at a premium without authority from Congress. If the people choose to become alarmed its daily receipts for public dues naturally assume the shape of any kind of money less valuable than gold, as we have seen lately; and the poor Treasury lies helpless, its source of supply of gold cut off—forced to appeal to the patriotism of banks for aid.

The last Mint report states that there is in the United States, gold to the extent of $560,000,000 to $570,000,000, while other authorities claim a much larger amount. The supply in any event seems to place the United States only second, that is, next to France, among the holders of gold in the world. Is it not the most extraordinary financial spectacle the world has ever seen, that with this supply there is doubt as to the ability to maintain the parity between gold and silver? Why, the people of the United States, with such a gold stock, could carry safely paper money to the extent of a billion or a billion and a half of dollars, if the currency were really wanted for the requirements of trade, and were issued from the right source—that is, if it were issued by the banks, who control the gold stock. But those who have the gold, and who carry on the financial operations connected with the trade of the country, out of which the necessity to ship gold to foreign countries arises, have no responsibility to find gold when it is wanted; while the Government, which has not the power to control a dollar of gold unless the people or the banks choose, undertakes practically to redeem in gold the whole volume of paper money in the country. The country with such a gold stock has an abundant supply of precious metal, even if all the silver were disposed of, provided the machinery be effective, but the machinery is perhaps the worst that could be devised.

The first act of reform in this drama of folly is, of course, to repeal the Sherman Silver Purchase Act. I am afraid we have not quite the faith in the present administration that we had five or six months ago. They are supposed to be giving the people an object lesson preparatory to calling Congress together. I fear the object lesson is offered to those whose views regarding silver are already sound, and not those in the South and Southwest, who most of all need to be informed. Perhaps, indeed, the agriculturists of these states rather enjoy it when the rich fellows in the East are having a hard time of it financially.

However, it is to be remembered that there is one measure which can be offered to these states as an inducement to consent to the repeal of the Silver Act. We have seen that "cheap" money is what they mostly want. At first, *fiat* money, which they failed to get; then silver money, which they got, but which, somehow, has not done them the expected good. Now, if the the Democratic party would carry out the promise they have repeatedly made during the past twenty years, and remove the federal tax of ten per cent. per annum imposed on the note issues of state banks, these states could give as liberal charters to banks as they pleased and have plenty of currency. Doubtless the result in certain localities would be very bad indeed, but any trouble would probably be local, and we might hope that it would be a real object lesson and lead to more intelligence regarding banking and currency. In many of the states, on the other hand, the systems of banking would be excellent, as they were, indeed, in New England, New York, Louisiana, and elsewhere, before the war. Pray do not suppose, however, that I am advocating charters by the various states as opposed to a sound system under a Federal Act.

In the end we must hope that great reforms in Currency, Banking, and Treasury systems will come about. Of the ultimate good sense of the people of the United States I have no doubt whatever. One of the evil qualities, however, which seem to be inseparable from the good qualities in democracy at present, is that the people of the United States have no respect for authoritative opinion. In England, under similar circumstances, the people would seek the opinion of such men as Mr. Goschen. But in the United States the Southern and Western people regard only with suspicion as to its sincerity the opinion of Eastern bankers and economists, who have studied this and kindred subjects all their lives. If a new Secretary of the Treasury or Comptroller of the Currency is wanted, a Western or Southern man is selected, who perhaps has never had an international commercial transaction in his life, and who confessedly has no training for the position. However, it must be admitted that they learn with great rapidity at least the routine of their offices, whereas in a country where the people are less adaptable to new circumstances such a system would be ridiculous.

The Silver Purchase Act will doubtless be repealed, although it is well not to be too certain. In any event, so far as Canada is concerned, although it is a very complex question, there is little ground for alarm. Should the Act not be repealed and the United States pass from gold to a silver basis, the Canadian banks having funds loaned there would have some difficulty in keeping their money on a gold basis. although most of their money is already loaned against contracts repayable in gold. So far as trade between the two countries is concerned, we got along for eighteen years while our money was on a gold basis and theirs was not; we traded with each other and bankers found the fluctuations in exchange an added source of profit. I, however, believe in conditions free from such speculative elements, and I hope and believe that that great country will never fall from the gold standard. Whatever they do there is no fear that Canada, which has always, except for a short period during the rebellion of 1837, been on a gold basis, will depart from her sound standards of financial morality.

I must thank you, gentlemen, for listening so patiently to what I have said. I have taken an unfair advantage of you in your comfortable post-prandial condition, by forcing you to listen to a speech so different from what is customary at this hour of the evening.

Recent Legal Decisions.

(Communicated by Mr. Frederic Hague, B. C. L.)

PROVINCE OF QUEBEC CASE, JUDGMENT OF PRIVY COUNCIL.

La Banque du Peuple and the Quebec Bank, v. Bryant, Powis and Bryant, Ltd.

Principal and agent—Power of Attorney—Power to borrow must be express—Indorsement of bills "per pro."

HELD: that an agent who is authorized by his power to make contracts of sale and purchase, charter vessels and employ servants, and as incidental thereto to do certain specified acts, including indorsement of bills and other acts for the purpose therein aforesaid, but not including the borrowing of money, cannot borrow on behalf of his principal or bind him by contract of loan, such acts not being necessary for the declared purpose of the power.

Where an agent accepts or indorses "per pro" the taker of a bill or note so accepted or indorsed is bound to inquire as to the extent of the agent's authority; where an agent has such authority, his abuse of it does not affect a *bona-fide* holder for value.

The suit of La Banque du Peuple was based upon two promissory notes made by S. W. & Co., to the order of B. P. & B., and indorsed by D. in their name purporting to sign as their agent. The notes were pledged by D. with the bank as collateral security *for a loan to himself.*

The Superior Court held that D.'s power of attorney was in force at the date of the indorsement, but by its terms no authority was given to him to borrow money or to contract loans, and, consequently there was no authority to pledge the promissory notes. The Appellate Court by a majority decided that he had such authority. This latter judgment is now reversed by the Privy Council.

The appeal of the Quebec Bank was on a suit brought on two bills of exchange for £1,000 drawn by J. S. M. & Co., and indorsed before acceptance by them, and by D. in the name of B. P. & B. and as their agent, and discounted by the Bank in the ordinary course of business.

The question in this appeal, as in the other, was mainly as to the authority of D. to bind B. P. & B. by his indorsement. The judgments both of the Superior Court and the court of Appeal of the Province of Quebec, that in this case he could bind the company, is here confirmed. The part of the power of attorney to D. on which the judgments turned reads as follows:—

* * * * "The company doth hereby appoint C. G. D. to be the true and lawful attorney of the company, for, in the name and on the behalf of the company, to enter into any contracts for the purchase or sale of goods and merchandise * * * and to draw and sign cheques on the bankers for the time being of the company and to draw accept and endorse bills of exchange, promissory notes, bills of lading, delivery orders, dock warrants, coupons, bought and sold notes, contract notes, charter parties, accounts, current accounts, sales, and other documents, which shall in the opinion of the said attorney require the signature and indorsement of the company, * * * and to do, execute and perform, any other act, matter or thing whatsoever which ought to be done, executed, or performed, or which in the opinion of the said agent or attorney ought to have been done, executed or performed in or about the business affairs of the company."

The judgment of their Lordships was delivered by Lord Macnaughton, of which the following is an extract:—

* * * * To put it shortly, the power of attorney authorized D. to enter into contracts or engagements for three specified purposes: (1) the purchase or sale of goods; (2) the chartering of vessels; (3) the employment of agents and servants; and as incidental thereto and consequential thereon, to do certain specified acts and other acts of the same kind as those specified. If the instrument be read fairly, it does not in their Lordship's opinion, authorize the attorney to borrow money on behalf of the company, or to bind the company by a contract of loan.

It appears to their Lordships, that the words quoted in the judgment of the Court of Queen's Bench, are to be read in in connection with the introductory words of the sentence to which they belong "for all and any of the purposes aforesaid." So read, the words in question do not confer upon the agent powers at large, but only such powers as may be necessary, in addition to those previously specified, to carry into effect the declared purposes of the power of attorney.

In the suit of the Quebec Bank the bills in question were indorsed in the name of the company "per pro C. G. D.," and discounted by the bank in the ordinary course of business. The bank were *bona-fide* holders for value. The fact that D. abused his authority and betrayed his trust cannot affect *bona-fide* holders for value of negotiable instruments indorsed by him apparently in accordance with his authority.

PROVINCE OF QUEBEC CASE.

IN THE SUPREME COURT.

Stevenson v. Canadian Bank of Commerce.

Insolvency—Knowledge of by creditor—Fraudulent preference—Warehouse receipt.

W. E. E., connected with two business firms in Montreal, viz., the firm of W. E. E. & Co., oil merchants, of which he was the sole member, and E. F. & Co., wine merchants, made a judiical abandonment on 18th August, 1889, of his oil business. Both firms had kept their accounts with the Bank of Commerce. The bank discounted for W. E. E. & Co., before his departure for England on 30th June, a note of $5,087.50 due 1st October, signed by J. E. & Co., and endorsed by W. E. E. & Co., and E. F. & Co., and on the 5th of July took as collateral security from F., who was also W. E. E.'s agent during his absence, a warehouse receipt for 292 barrels of oil, and the discount was credited to E. F. & Co. On or about the 9th July, 146 barrels were sold and the proceeds, viz., $3,528.30 were subsequently, on the 9th August, credited to the note of $5,087.50. On the 13th July McD. L. & Co., failed and W. E. E. was involved in the failure to the extent of $17,000, and on the 16th July, F. as agent for W. E. E. left with the bank as collateral security against W. E. E.'s indebtedness of $7,559.30 on the paper of McD. L. & Co.. customers' notes of the oil business to the amount of $2,768.28, upon which the bank collected $1,603.43, and still kept a note of J. P. & Co., unpaid of $1,165.32.

On the return of W. E. E. another note of J. E. & Co., for $1,101.33, previously discounted by W. E. E., became due at the bank, thus leaving a total debt of the E. firms on their joint paper of $2,660.53. The old note of $5,087.50 due 1st October, and the one of $1,101.33 were signed by J. E. & Co., and on the 10th August were replaced by two notes signed by E. F. & Co., and secured by 200 barrels of oil, viz., 146 barrels remaining from the original number pledged and an additional warehouse receipt of 54 barrels of oil, endorsed over by W. E. E. to F. E. & Co., and by them to the bank. The respondent, as curator for the estate of W. E. E. & Co., claimed that the pledge of the 200 barrels of oil on the 10th August, and the giving of the note on the 16th July to the bank were fraudulent preferences. The Superior Court held that the bank had knowledge of W. E. E.'s insolvent condition on or about the 16th July, and declared that they had received fraudulent preferences by receiving W. E. E.'s customers' notes and the 200 barrels of oil, but the Court of Appeal, reversing in part the judgment of the Superior Court, held that the pledging of the 200 barrels of oil by E. F. & Co., on the 10th August was not a fraudulent preference.

On an appeal and cross appeal to the Supreme Court,

HELD:—1. That the finding of the court below of the fact of the bank's knowledge of W. E. E.'s insolvency dated from the 16th July was sustained by evidence in the case, and there had therefore been a fraudulent preference given to the bank by the insolvent in transferring over to it all his customers' paper not yet due. Gwynne J dissenting.

2. That the additional security given to the bank on 10th August of 54 barrels of oil for the substituted notes of E. F. & Co., was also a fraudulent preference. Gwynne J. dissenting.

3. Reversing the judgment of the Court of the Queen's Bench, and restoring the judgment of the Superior Court, that the legal effect of the transaction of the 10th August, was to release the pledged 146 barrels of oil, and that they became immediately the property of the insolvents creditors, and could not be held by the bank as collateral security for E. F. & Co.'s substituted notes. Gwynne and Patterson, J. J., dissenting.

PROVINCE OF ONTARIO CASE.

COURT OF APPEALS, ONTARIO.

Tennant v. The Union Bank.

Warehouse receipts—Transfer of goods in transit.

The plaintiff was assignee for benefit of creditors of a firm of saw-millers who had obtained large advances from the defendants on the security of a third person's promissory notes endorsed by the firm. To this third person, in pursuance of a previous written agreement to that effect, whereby the firm pledged to him a quantity of logs or timber limits and the lumber to be manufactured therefrom, the firm gave warehouse receipts on logs, described as being in certain lakes in transit to the mills, and also subsequently in conformity with an agreement with the bank when the advances were made, on lumber in the mill yards, manufactured from the logs pledged, and the warehouse receipts were by him endorsed over to the bank.

HELD:—That the warehouse receipts were bad as to the logs, the lakes not being a "place kept by the signers of the receipts."

HELD:—Further, (Burton J. A. dissenting) that the warehouse receipts were good as to the lumber and had been validly acquired by the bank by indorsement from the holder under s.s. 53 and 54, of R. S. C. c. 120. (Corresponding to sections 73 and 74 of present Bank Act.)

PROVINCE OF NEW BRUNSWICK CASE.

IN THE SUPREME COURT.

Boyd v. Bank of New Brunswick.

Banks and banking—Shares of bank stock held by deceased person—Injunction to compel transfer of shares to executor—Shares specifically devised.

B. held 20 shares of stock of the above bank, registered in her name at the time of her death. Probate of her will was granted to the plaintiff, who wished to sell and dispose of the shares and have the bank assign and transfer the same to the purchasers under ss. 29 and 30, of the Bank Act, (35 and following sections of present Act.) He then made and fyled with the bank the declaration provided for by Sec. 32, of the Act, (Sec. 39 of present Act) and also fyled a copy of the probate of the will showing that he was executor, and required the bank to transfer the stock to him as such, which they refused to do, on the ground that by the will the stock was specifically bequeathed to be divided among certain legatees. The plaintiff then applied for a mandatory injunction to compel the transfer, and the question raised was whether the bank was compelled to do so without the consent of legatees and *cestuis que trustent*.

HELD:—That by R. S. C., c. 120 it was the duty of the bank to make the transfer, when the provisions of ss. 32, 34 and 35 had been complied with, and that there was no obligation on the bank to see that the bequests of the will were carried out by the executor.

NOTE—It is a question whether this rule would be applicable in the Province of Quebec.

MONTHLY TOTALS of BANK CLEARINGS during eight months of 1892 and 1893, at the cities of Montreal, Toronto, Hamilton and Halifax, as reported to the *Journal*.

—	MONTREAL.		TORONTO.		HAMILTON.		HALIFAX.	
	1892.	1893.	1892.	1893.	1892.	1893.	1892.	1893.
January......	$ 44,109,488	$ 50,498,973	$ 29,069,057	$ 30,226,941	$ 3,267,512	$ 3,292,386	$ 6,056,173	$ 5,044,467
February....	37,983,206	46,149,389	23,610,467	23,704,495	2,760 386	2,820,985	4,570,631	4,202,569
March.........	45,082,566	50,791,417	27,052,738	26,282,197	2,872,198	3,124,681	4,657 577	4,759,065
April.........	47,012,901	42,274,827	24,291,169	26,974,686	3,325,354	3,122,325	4,774,882	4,906,527
May.	45,693,693	49,029,342	24,026 677	25,747,069	3,017,890	3,510,787	4,715,522	5,334,240
June	46,744,964	47,244,749	26,904,818	25,823,084	3,240,330	3,204,246	4,984,839	5,106,123
July...........	54,210,858	49,301,208	28,784,881	27,043,625	3,185,754	3,274,504	5,237,688	5,510,016
August.......	50,329,314	47,414,600	24,228,432	22,311,189	2,960,314	2,847,937	5,286,057	5,414,015
	$371 173,180	$382,704,505	*$208,068,278	*$208,113,856	$ 24,629,718	$ 25,207,861	$ 40,313,369	$ 40,275,768

*NOTE—These totals do not include the clearings of the Bank of Toronto.

STATEMENT OF BANKS acting under Dominion Government charter for the month ending 31st August, 1893, with comparisons:

LIABILITIES.

	Aug. 1893.	July, 1893.	Aug. 1892.
Capital authorized	$ 75,458,685	$ 75,458,685	$ 75,958,685
Capital paid up	62,029,038	61,954,773	61,640,390
Reserve Fund	26,062,576	26,031,245	24,772,564
Notes in circulation	$ 33,308,967	$ 33,573,468	$ 32,646,187
Dominion and Provincial Government deposits	6,245,892	6,734,599	5,409.302
Public deposits on demand	61,437,993	64,563,263	64,764,748
Public deposits after notice	105,015,710	106,458,471	98,058,015
Bank loans or deposits from other banks secured	103,278	153,266	155,000
Bank loans or deposits from other banks unsecured	2,718,117	2,616,681	3,501,208
Due other banks in Canada in in daily exchanges	132,048	167,081	152,488
Due other banks in foreign countries	169,273	124,796	211,765
Due other banks in Great Britain	5,538,573	4,600,301	4,631,499
Other liabilities	250,002	327,591	226,561
Total liabilities	$214,919,947	$ 219,319,527	$ 209,756,866

ASSETS.

Specie	$ 7,706,937	$ 6,597,612	$ 6,703,823
Dominion Notes	12,749,809	12,607,562	12,457,887
Deposits to secure note circulation	1,818,448	1,827,267	1,761,259
Notes and cheques of other banks	6,519,972	8,551,319	7,031,487
Loans to other banks secured	83,385	125,000	156,581
Deposits made with other banks.	3,228,902	3,274,546	4,163,411
Due from other banks in foreign countries	13,562,629	15,616,213	24,809,507
Due from other banks in Great Britain	3,364,470	3,860,549	1,323,559
Dominion Government debentures or stock	3,188,572	3,188,572	3,328,421
Public, Municipal and Railway securities	15,378,187	15,080,602	16,836.365

	Aug. 1893.	July 1893.	Aug. 1892.
Call Loans on bonds and stocks	14,708,006	15,141,457	17,497,948
Loans to Dominion and Provincial Governments	1,429,480	1,088,625	1,089,240
Current loans and discounts	205,956,200	206,107,558	196,212,898
Due from other banks in Canada in daily exchanges	125,270	125,000	240,459
Overdue debts	2,904,160	2,850,082	2,370,312
Real estate	912,763	918,708	1,105,582
Mortgages on real estate sold	660,395	668,861	846,409
Bank premises	4,914,737	4,882,584	4,583,162
Other assets	1,901,035	1,118,602	1,498,758
Total assets	$ 300,923,015	$ 304,428,020	$ 294,052,600

Average amount of specie held during the month	6,956,448	6,300,186	6,676,021
Average Dominion notes held during the month	11,744,457	11,904,751	12,109,775
Loans to directors or their firms.	7,078,632	7,848,506	6,853,246
Greatest amount of notes in circulation during month.	34,750,617	34,773,904	33,689,271

JOURNAL

OF THE

CANADIAN BANKERS' ASSOCIATION.

VOL. I. DECEMBER, 1893. PART 2.

NOTE.

It is to be understood that neither the Council of the Canadian Bankers' Association, nor any individual member of it, accepts responsibility for the opinions or facts stated in the Prize Essays printed in this number. This responsibility rests with the authors alone.

Questions may be submitted to the "Journal" at any time, and, when of general practical interest, will be printed along with such answers as may be approved of by the Council.

REPORT OF SPECIAL MEETING OF ASSOCIATION.

Pursuant to notice a special meeting of the Association for the election of a President was held at the office of the Association in Montreal, on Wednesday, the 6th December, 1893, at 3 o'clock.

The following Members were present or represented by proxy:—

Bank of British North America.
Bank of Ottawa.
Banque d'Hochelaga.
Bank of Toronto.
Banque Jacques Cartier.
Banque de St. Hyacinthe.
Bank of New Brunswick.

Bank of British Columbia.
Banque Ville Marie.
Canadian Bank of Commerce.
Dominion Bank.
Eastern Townships Bank.
Exchange Bank of Yarmouth.
Halifax Banking Company.
Imperial Bank of Canada.
Merchants' Bank of Canada.
Molsons Bank.
People's Bank of New Brunswick.
Quebec Bank.
Standard Bank of Canada.

Proxies were held by Messrs. Geo. Hague and A. M. Crombie.

The chair was occupied by Mr. Geo. Hague, one of the Vice-Presidents.

The Secretary-Treasurer read the notice calling the meeting.

The Chairman referred to the feeling expressed at the Annual meeting, that the Presidency for the year should be filled from amongst the Toronto Bankers. The Toronto Bankers, however, preferred to choose a Montrealer, which led to the election of E. S. Clouston, Esq. That gentleman having found himself unable to accept the position, the Toronto Bankers were desired to make a further choice, whereupon they agreed to support the election of James Stevenson, Esq., General Manager of the Quebec Bank. A letter from that gentleman was read stating his inability to act if elected. The Toronto Bankers having determined not to make any further suggestion, the Chairman stated that it was now for the meeting to proceed to the election of a President in ordinary course.

On motion of R. R. Grindley, Esq., seconded by B. E. Walker, Esq., the Secretary-Treasurer was appointed Scrutineer to receive the votes of the meeting.

A ballot being cast the Scrutineer reported the election of B. E. **WALKER**, Esq., General Manager, of the Canadian Bank of Commerce, as President of the Association. His election was then confirmed.

Mr. Walker being present stated his acceptance of the office and expressed his thanks to the meeting.

After a short informal discussion—Mr. Walker being in the chair—there being no further business, the special meeting was declared closed.

W. W. L. CHIPMAN, GEO. HAGUE,
Secretary-Treasurer. *Chairman.*

Subsequently at a meeting of the Montreal members of the Executive Council, at which the newly elected President, B. E. Walker, Esq., was present, the following subjects were chosen for the next Prize Essay Competition amongst Associates:—

For Managers and Accountants.

1. WHAT HAVE BEEN THE CAUSES AND RESULTS OF THE LATE FINANCIAL CRISIS IN THE UNITED STATES, AND WHAT CAN CANADIAN BANKERS LEARN THEREFROM?
2. WHAT IS THE BEST COURSE FOR A BANKER TO TAKE DURING AND AFTER A FINANCIAL CRISIS, OR A PERIOD OF GREAT FINANCIAL STRINGENCY?

In dealing with the latter question the writer to have regard to the interests

1st. Of his Bank:

2nd. Of the mercantile community.

The two questions to be dealt with in one paper.

A first prize of..............................	$100
A second prize of..........................	60

For Officers below the rank of Accountant.

WHAT ARE THE SPECIAL SUBJECTS NECESSARY TO THE EDUCATION OF A GOOD BANK OFFICIAL IN CANADA, AND IN WHAT PRACTICAL WAYS MAY HE MAKE HIMSELF OF MOST SERVICE TO A BANK, AND THEREBY PLACE HIMSELF ON THE BEST ROAD TO PROMOTION.

A first prize of..............................	$60
A second prize of..........................	40

The competition will close on the 1st March, 1894.

Competitors are to sign their papers with a "nom-de-plume" or "motto" only, and are required to mail a copy of the same for identification to the Secretary-Treasurer of the Association at Montreal, along with their name, rank, and place of employment.

A committee will be appointed to examine the papers, and make the awards—all of which will be announced in due course.

With respect to the QUARTERLY JOURNAL it was recommended that an Editing Committee be formed to consist of three members resident in Toronto, and one member each at Montreal, Ottawa, and Halifax. Due announcement will be made as to the composition of this Committee. They will ask the cordial support of the Associates in conducting the Magazine, and will to some extent indicate what in their opinion the nature of its contents should be.

THE SILVER PROBLEM.

THE ISSUES OF BIMETALLISM STATED AND EXAMINED.

A Paper by an ASSOCIATE read before a private club.

There is probably no question in the domain of Economics which has excited a deeper interest on the part of the general public than that of Bimetallism, and which in proportion to the interest taken is so little understood. The public have confessed bewilderment at the endless discussion of what is called "The Silver Question" in its relation to particular interests, but a statement of the issues and argument of the main question is not readily accessible to them. The object of this paper is to endeavour to present a comprehensive summary of the case for Bimetallism, and to examine the arguments in support thereof.

When Bimetallism is spoken of nowadays it means not merely the use of the two metals as money in any country, but their unlimited coinage in all or at least the chief commercial countries of the world at a fixed ratio; bimetallism on any other basis is not any longer seriously discussed.*

The *raison d'etre* of bimetallism is the dire need for more money, though if we examine into the position with regard to silver of those countries where the doctrines of the bimetallists have obtained any foothold, we may find reason for doubting whether it would ever have become a burning question were there none to uphold it except those individuals possessed of a profound conviction, uninfluenced by any other consideration, of the insufficiency of the world's gold supply for the work it is and may be called upon to perform.

Look, for instance, at India. Having hastily demonetised gold in 1853, when the ratio was 15½ to 1, in apprehension because of the great discoveries of that metal in Australia and California, lest it should permanently depreciate, she has made large annual additions to her then stock of silver, the whole representing an enormous loss to the country at its present value.

France is the holder of silver to the nominal value of $600,000,000, of which $100,000,000 is of foreign coinage.

Belgium has coined $100,000,000 of silver five-franc pieces, of which $60,000,000 is estimated to be outstanding and mostly held by the Bank of France. The loss on this sum will severely tax the resources of the little country should she be called on by the termination of the Latin Treaty to redeem it.

The state of things in Italy is not much better. When the Latin Union is dissolved her position with regard to her outstanding silver will be quite a serious one.

Add Holland, Spain and Portugal to this list of European countries flooded with silver money, and consider what bimetallism at 15½, 16, or even 20 to 1 would mean to them.

Finally, we have the case of the United States. Owning silver mines which turn out little short of half the entire production, and borne down by this interest joined with the forces of the Western and Southern farmers crying for "cheap money," she has been endeavoring for 14 years, against her better judgment, to stay the downward course of silver by buying in a certain amount annually, in the futile hope that the countries of Europe might be induced meantime to see the advantages of bimetallism. She is about being driven at last, through a period of widespread disaster largely attributable to distrust of her silver policy, to abandon her purchases, and her government now finds itself possessed of some $600,000,000 of silver, the value of which could only be known by placing it on the market.

These are the countries where bimetallic doctrines flourish. I merely mention these facts, however, as of interest in their bearing on the vitality of the silver question. We have only to deal with the arguments of bimetallist on their own merits. Their case may be stated as follows:

Since 1873 there has been a fall of prices which is illustrated by the following index numbers, showing the general level of prices in different years, furnished by an eminent German statistician. The figures are based on the average prices of a number of the most important commodities, the prices of 1867 being put down as 100:

1867	100
1873	111*
1874	102
1879	83
1880	88
1887	68
1888	70
1889	72
1890	72
1891	72
1892	68

These figures are not exact, since no distinction is made as to the relative importance of the commodities embraced, but they measure the fall with approximate correctness.

This enormous fall in prices is attributed by bimetallists to the appreciation of gold. They claim that the adoption of a gold standard in 1873 by Germany, and later by Norway, Sweden. Denmark, and Holland, and practically by,France also, together with fresh demands by other countries, has caused a strain on the world's gold supply which is fairly represented by the fall in prices, and further, as essential to the consideration of their case, that as the annual increase of the supply of gold available for money purposes is not proportionate to the increase of commerce this appreciation must continue, unless the supply of money is increased by the use of silver as well as gold. This fall of prices they declare to be an unmixed evil and the immediate cause of the depression of trade, a connection which would have to be examined as to what extent there is a universal depression of trade before considering to what extent the various other conceivable causes of depression have operated.

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* 1873 marks the climax and collapse of a period of great inflation.

This is the ground on which bimetallists have been given a hearing.

The absolute insufficiency of the world's gold reserves to sustain the load they have to carry, established, they propose that the Mints of at least all the chief commercial countries shall be open to the unlimited coinage of gold and silver alike at a certain fixed ratio, some claiming 15½ to 1 as the pre-ordained relation of value, while others, doubtless influenced by the ridiculous career of silver in late years, would be willing to compromise at figures ranging up to 20 to 1.

And they argue as to the effects of the adoption of their proposition:

First and foremost: That the media of exchange being then adequate for the world's commerce, prices would rise, or at least the fall of prices would cease.

Second: That the stability in value of the two metals would be greater combined, since fluctuations in them tend to counterbalance each other, and we should then have a "fair and permanent record of obligations over long periods of time."

Third: That trade would be facilitated by the removal of the fluctuations and uncertainties of exchange between gold and silver using countries.

The foundational element in the case for bimetallism is, as I have shown, the claimed insufficiency of the gold supply for the fabric it has to sustain, as evidenced by the great fall of prices in late years. If, therefore, we are able to convince ourselves that the fall of prices is clearly due for the most part to the operation of other causes, the argument on which the whole bimetallic case rests will fall to the ground. I think, however, that the sufficiency of the world's supply of gold is susceptible of proof of another kind also, which I will endeavor to give.

With regard then to the fall of prices. It is a matter of considerable astonishment that in the writings of bimetallists little or no qualification is made of the claim that the appreciation of gold is the cause of the fall of prices. On the other hand while eminent authorities have vehemently declared their belief that the fall of prices is due altogether to natural causes, that in point of fact there is no scarcity of gold, the ground has not as far as I can find, been exhaustively gone over; monometallists have been content to attack bimetallism on the ground of its impracticability in any event, and in this field the controversy has been carried on to wearisome lengths and has created what Giffen has termed "dismal literature." There seems to be no reasonable ground for doubt that natural causes, having to do with the great strides in the development of commerce, are very largely, if not entirely, responsible for the fall of prices in recent years. It is not possible within the scope of this paper to examine minutely, and by the aid of statistics, the precise degree to which various causes in this respect have probably contributed; but I think we cannot fail to appreciate the strength of these forces by presenting to our minds a broad review of them.

I do not know that I am open to the charge of exaggeration, in stating that the advancement made in the matter of economies in the commercial system has been as great in the past three decades, as in the previous three centuries.

The extension of the telegraphic system, which was specially marked in 1866 by the laying of the Atlantic cable, and in 1872 by the connection of Australia with the Asiatic mainland, has placed the producers in the remotest parts of the earth in possession of daily information as to the markets for their produce, and by minimizing the element of uncertainty, has encouraged and stimulated production and distribution. The multiplication of shipping lines to all inhabited coasts has enabled goods to be shipped in the most direct way. The great improvements in shipbuilding, the opening of the Suez canal in 1870, the prodigious growth of the railway system of America, have all combined to reduce the cost of carriage to figures the contemplation of which would have made the railway and shipping companies of 20 years ago stand aghast. As an illustration of this latter, the cost of carrying a ton of grain from Chicago to Liverpool, which was, in 1873, £1 12s., was, in 1888, 12 shillings, since when there has been a further marked reduction. Other commodities in America have shared in this reduction, and indeed these figures may be taken as an indication of the general reduction in long distance freight charges the world over. Nor has the revolution in the matter of production itself in late years been less marked.

Decreased cost of production is read in the history of every article from the factory, as well as in all the important ones from the field. Improved appliances in manufacturing, minuter division of labor, the tendency, particularly in America, to centralization of important industries in the hands of the few strong concerns, have struck from cost prices 20 to 60 per cent.; and in agriculture the opening up of immense tracts of fertile and cheap lands in America, farmed in parcels of 500 and 1000 acres, has made the production of cereals still more or less profitable at figures which almost mean starvation to agriculturists of many European countries. Over-production, especially in commodities in which speculation is most active, is still another potent factor. And, finally, we have keen competition, as to the force of which we can judge by the wail of business men generally at the disappearance of old time profits.

The fall of prices has been enormous, but these causes are sufficient to account for an enormous fall. That the fall is indeed due to them, I find very valuable evidence in some facts embodied in a recent exhaustive report issued by the United States Senate Finance Committee on the course of prices and wages since 1840. The index numbers which I quoted a moment ago, were based on London prices and embrace commodities in connection with which the elements just referred to play a most important part, for instance among others—

Cotton,	which fell	from	138.4	in 1873 to	70.05	in 1892
Wheat,	"	"	127.5	"	83.4	"
Wool,	"	"	105.8	"	74.9	"
Silk,	"	"	111.4	"	74.3	"
Iron,	"	"	155.0	"	87.1	"
Tin,	"	"	105.0	"	64.9	"
Sugar,	"	"	97.1	"	49.3	"
Tea,	"	"	120.	"	41.7	"
Petroleum,	"	"	100.	"	23.1	"

Whereas according to the report of the Senate Committee the simple average price of 17 articles of farm produce in America rose from 100 in 1860 to 117.7 in 1873, falling to 97.1 in 1891; but omitting from the 15 articles the great commodities wheat and cotton, which were mentioned before as having come under extraordinary influences, the rise of the remaining 13 articles was from 100 in 1860 to 115.3 in 1873, falling to 99.5 in 1891; while again taking the nine most important of the 15, including wheat and cotton, with meat, barley, corn, oats, rye, hemp and tobacco, and weighting them for their relative importance, the average price rose from 100 in 1860 to 106 in 1873, falling to 98.4 in 1891. The degree of steadiness here is remarkable, and the inference is clear, that in commodities which are marketed without having benefited by the extraordinary influence referred to the fall of prices is slight, not greater than might naturally be expected with the progress of civilization.

The report further discloses the important fact that the average wages of operatives in the important industries of the United States have risen from 100 in 1860 to 148.3 in 1873, and to 160.7 in 1891, an increase which it is hardly conceivable would have taken place concurrently with any important* appreciation of gold.

The proportion of the fall of prices which could possibly be chargeable to the appreciation of gold would appear to be at most merely fractional. Some monometallists are inclined to admit that the demonetisation of silver by Germany and other European powers in 1873 and the consequent absorption of gold for their purposes may have caused a slight appreciation of gold at that time, but they maintain that the adjustment having taken place that is no longer a consideration. Others, however, utterly deny any appreciation of gold.

Thus viewing the matter in the light of the fall of prices the conclusion forces itself upon us that whatever the merits of the remedy offered the disease does not exist.

If, however, we assume, for the purpose of argument only, that there has been a gradual appreciation of gold to some extent, apart from that immediately caused in 1873 by the absorption of gold by Germany and other powers for their original supply, the important consideration arises, before bimetallism could become an issue, as to whether we have attained the highest degree of economy in the use of gold consistent with the safety and stability of our monetary systems.

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* By "appreciation of gold" throughout this paper is meant an increased purchasing power due to causes altogether connected with gold itself, as distinguished from altered relations between the supply of and demand for commodities.

The stocks of gold and silver used for the purposes of money in the principal countries of the world, as estimated a few weeks ago by the United States Bureau of the Mint, are as follows:

	Pop.	Gold.	Silver.	Total.
France	39	800	700	1,500
United States	67	600	615	1,215
India	255	....	900	900
China	400	....	700	700
United Kingdom	38	550	100	650
Russia	113	250	60	310
Spain	18	40	158	198
Italy	31	93	50	140
Austria-Hungary	40	40	90	130
Belgium	6	65	55	120
Egypt	7	100	15	115
Australia	4	100	7	107
Netherlands	4	25	65	90
Portugal	5	40	10	50
Canada	5	16	5	21

Among the notable features of the above figures are those of Canada. The explanation of the comparatively small stock of gold in this country lies in the fact that we have one of the most highly developed currency systems in the world. I do not propose, however, to set out and take Canada as the sole basis for demonstrating that in most of the above countries the stock of gold is beyond their needs—in some cases enormously so—under a scientific currency system. Whatever the convictions of Canadian bankers may be as to the soundness in principle of our system I should expect to find you somewhat sceptical of criticism based entirely upon it, of the long established systems of the great European countries. The case is to a great extent demonstrable without demanding the highest development of the world's currency systems on thoroughly scientific principles. Observe then the significance of the figures I have quoted. Great Britain, with a volume of trade many times that of France, and with a money market which is played battledore and shuttlecock with by every nation on the earth, has $550,000,000 of gold with only $100,000,000 of silver as a basis for that enormous trade, while quiet going France has a supply of $800,000,000 of gold in addition to $700,000,000 of silver. A comparison of the gold supply of other countries with that of Great Britain will also disclose disproportions with the same bearing, though perhaps to a lesser extent.

But is the wasteful use of gold by the different nations measured only by the excess of their gold stocks in proportion to Great Britain's?

Before entering on the consideration of this aspect of the question it is essential that we should have clearly in our minds the nature and use of metallic money.

Gold and silver perform the function of money—that is, of a measure of value—because of their value as commodities. It is true of course that their value is now influenced almost as much by the demand for them in the arts, nevertheless the basis of their use as money is their commodity value, this value being enhanced by the fact that, being above all other commodities suited for exchange media, their use in this connection renders it improbable that any considerable portion so used will ever be brought to market. I do not know that this definition would be suited to the requirements of economists in enunciating abstruse theories in connection with money and credit, but I think it is for practical purposes fairly sound, and its simplicity is helpful in the purpose for which it is given.

We have then to determine whether in some countries, were they possessed of a more highly organised monetary system, an equally efficient service might not have been obtained with the absorption of a lesser quantity of gold. That this is strikingly the case in several countries can be demonstrated without room for doubt, though to just what extent is a point on which opinions will differ.

One of the main functions of Banking is the economy of metal money, and the greatest strides that have been made in banking are in this direction.

The common notion in the minds of people—existing there hazily rather than thought out or expressed—respecting bank deposits, is that they are so much money (money being perhaps an equally hazy quantity) in the custody of banks, which they should be prepared to pay out of hand at any moment in any amount to meet any emergency whatever, and it is not an unknown occurrence for an entire community to test the ability of their banks in this respect by making a simultaneous demand on them for gold, with as eminently unsatisfactory results as could possibly be desired. Now while deposits are expressed in terms of gold, are legally payable in gold, and are in fact paid in gold or its equivalent under conditions where communities are pursuing sane objects, the position which banks occupy is by tacit acknowledgment fundamentally this: On the one hand they owe a duty to their depositors to place them in a position to the extent of their deposits to command wealth in the markets, while on the other hand they are possessed of, not gold, except in a moderate proportion, but of rights to wealth, which duty and rights are expressed in terms of the commodity gold. In the earlier forms of banking the depositor put himself in a position to command wealth by withdrawing gold from his banker to exchange for some other form of wealth, whereupon the other party to the exchange would deposit the gold with his banker (very often the banker from which the identical gold had just been withdrawn) either in creation of a fresh right against the banker or in extinction of an obligation to the banker. Nowadays, however, in highly developed banking systems the same ends are attained by the transfer of these rights to wealth by means of cheques, etc., from the accounts of one set of individuals to those of another set, a mere modicum of gold being used between banks only in settlement of the daily balances of these innumerable transfers. Banks seek to maintain their gold reserves from day to day at a figure many times in excess of the largest adverse balance there is any likelihood of, but the necessary reserve of actual gold bears but very moderate proportions to the deposit liabilities of banks.

Now the position of banks with regard to note issues is practically the same as in the case of deposits—the one being an obligation in the shape of a bank note and the other of a passbook—yet while only one country has legislated as to what proportion of gold a bank must hold as a reserve for their deposits there has always been a disposition on the part of Governments to legislate for the special protection of the note holder. Since the public have not the same free choice in handling currency as they have in selecting the bank with which they will deposit their wealth, there is no doubt good reason for specially protecting the note holder, particularly as it is quite possible to render a note circulation abundantly secure without destroying any of its essential qualities. Unfortunately, however, the desirability of this protection finds expression in some countries in currency systems in serious conflict with scientific principles, the idea of safety having run mad. A common fallacy in connection with note issues, and one that has been acted upon to a greater or lesser extent in several countries, is that for every note issued there should be gold for the face amount deposited with the issuer and retained by him until the note is redeemed. It would be just as sensible to demand that banks should hold in their vaults sacredly intact gold to the amount of the balance in every pass-book issued, as to demand this for note issues, where the latter are surrounded with such safeguards as to make them absolutely secure—only if that principle were in force as to deposits there would be no banks and we would revert to the condition of simple barter. The right exercisable under a deposit effects the same purpose as that under a bank note—in fact in late years cheques on bank accounts have supplanted bank notes, except to the extent to which the latter are necessary for small payments. It is no more conceivable that the public will simultaneously demand payment in gold of every bank note than that they will make the same demand for their deposits. They do not desire gold; they desire that the world shall continue as a going concern and that banks shall continue to perform the function of circulating commodities. To ensure this end no greater reserve is required against the liabilities of banks in respect to their note issues than against their liabilities in the shape of deposits; the reserve against both combined need but be substantial.

The case of England, with which I set out to deal, is a striking example of an unscientific currency based on such fallacies as the above. The note issues of the Bank of England are based, except to the extent of the Government debt to the bank, on the deposit of gold £ for £ of each note issued. But it happens fortunately that the banking system of the country has so developed and centred around the Bank of England that the bullion held against the note issues represents practically the entire banking reserve of the country, and this reserve, being not at all too large as it is, would be inadequate were the notes based on a lesser proportion of gold. No notes under £5 are, however, permitted to be issued, so that all the circulating media of the country except these large notes and the subsidiary silver, is gold, and herein lies a most prodigal use of gold. The central reserve of gold in the issue department of the Bank of England is from 100 to 125 million dollars, while the amount in circulation is from 400 to 450 millions, the latter performing a service which might be equally well performed by a third of that sum or less through the issue of small notes. Why the English people should prefer to carry around this mass of metal in their pockets in place of small notes it is difficult for us to understand. Their main prejudice against £1 notes appears to grow out of the fact that at the commencement of the present century, when English bankers were as inexperienced as they are now experienced, a crisis was brought about through the excessive issues of paper currency, which was charged to the agency of £1 notes, but this objection is too much like refusing to see the virtues of fire because of having misused it and got burnt.

The extent of England's transgression in the matter of the undue absorption of gold is embraced in a general way in the following statement:

The issue of £1 notes would have supplanted 400 odd millions of gold in the pockets of the people. Of this amount it would have been necessary to have retained as a reserve against the £1 notes not more than 100 millions, and it would, perhaps, have been desirable to retain another 100 millions to augment the central reserve. This ample provision made there would still be about 200 millions of gold in Britain in excess of her requirements under a better organized currency system.

It seemed tolerably clear, when considering the stocks of gold at present held by several countries, that the amounts were unduly large in some cases as compared with that of Great Britain, but if we concede that Britain's stock is itself beyond her needs there are very few countries in the list I have given which are blameless in the matter of the uneconomic use of gold, while as to France she is chargeable with nothing short of barbarism.

In the course of the money markets during the last few years there is not wanting evidence quite opposed to the view that even under present circumstances there is a scarcity of gold, but we can well afford to waive argument on that point as far as bimetallism is concerned. As to a scarcity of gold having regard to the actual requirements of a scientific currency, I think we are free to declare that it is not demonstrable. And until in this light it is demonstrable I need not repeat, bimetallism is not an issue.

Much stress is laid on the point that with the growth of commerce there must be a proportionate increase in the supply of gold available for money, and that as the annual supply of gold at present will not permit of such a proportionate increase of the present stocks of gold, the value of this metal must appreciate. Whether or not, if the monetary systems of the world were remodelled so as to reduce the gold holdings to a reasonable figure, the annual production of gold would permit of increasing the supply of it used for money purposes in the same proportions as the increase of commerce, is a point I will not argue. The consideration which this argument of bimetallists suggests to my mind is whether the necessary annual increase of gold available as the basis of monetary systems is in the same proportions as the growth of commerce. I think it is clear it is not, and in support of this view observe the following figure in connection with the bullion in the Bank of England. You will bear in mind that the gold in the Bank of England is the central reserve of the country, the basis on which her vast trade is supported. The average bullion in the issue department of the bank during the year

1870	was	£22,300,000
1880		27,900,000
1882		20,400,000
1886		21,900,000
1890		20,800,000

that is despite the enormous growth of the country's trade in the interval, the reserve of gold on which that trade is based was 5 per cent less in 1890 than in 1870.

And this further illustration will serve to show the extent to which the use of gold can be economised, and incidentally throw some light on the question of what annual addition is necessary to the supply of gold used for monetary purposes.

On 31st December, 1892, the National Provincial Bank of England had deposits amounting to £41,800,000, the largest deposits of any bank in the United Kingdom, perhaps in the world. As a reserve against this great liability they held readily available assets of £8,400,000, representing the substantial reserve of 20 per cent. Of this amount, however, £3,500,000 was in the shape of loans at call, leaving £4,900,000 of "cash on hand and in Bank of England." The division of this amount is not ascertainable, but the probability is that about £1,500,000 was cash in hand—say £700,000 of gold coin and £800,000 Bank of England notes—the remaining £3,400,000 being on deposit in the Bank of England. The Bank of England held at that date a reserve in notes of the Issue department to the extent of 45 per cent of its deposits—that is, against the deposit of the National Provincial Bank they held notes amounting to £1,530,000. And the notes being represented in turn by gold bullion in the Issue department of the bank to the extent of 57 per cent, the reserve against the National Provincial's deposits works out thus:

Coin held by the National Provincial Bank..........	£700,000
Bullion reserve of 57 per cent against £800,000 of Bank of England notes held by the National Provincial and £1,530,000 the proportion of notes in the banking department of Bank of England applicable to the National Provincial's deposit	1,328,000
Or an ultimate gold reserve of........................	£2,028,000

being but 4.85 per cent of the National Provincial's deposit liabilities.

The National Provincial Bank, however, carries larger reserves than many of the English banks, and it is probable that the ultimate gold reserve of the combined banks, joint stock and private, worked out in this way would be appreciably less than 4 per cent. Now an absorption of gold by Britain to the extent of less than 4 per cent of the annual increase of the banks' liabilities would be a comparative trifle, and if the same proportions obtained in other countries the time when this absorption would press unduly on the available annual supply is not at present within our vision. It is not admitted, however, that the necessary ratio of increase is by any means 4 per cent.

Viewing the question then from the standpoint of the supply of gold relative to requirements, I think we are bound to conclude again that the case on which bimetallists claim a hearing is not made out.

Turning now from the discussion of the proposed need of a better standard of value, let us discover what the institution of bimetallism would mean.

I need not remind you how in patriarchal times gold and silver had come to be recognized as precious metals, and to be used as money. In those times and on throughout the first 1000 years of the Christian era, during which space their use as money had become diffused over Asia and Europe, silver was valued in relation to gold at 8 or 10 to 1. By the middle ages the ratio had fallen 12 to 1, and continued gradually falling till in the middle of the eighteenth century it reached 15½ to 1, and this steady and persistent fall in spite of the fact that silver was almost, if not quite as widely used for money as gold. At this ratio, however, it remained with only slight fluctuations for about 100 years, which led to the belief, widely shared as we have seen, that this was the true relation of value for eternity. Thus it comes about that the ratio of 15½ to 1 is almost inseparable from bimetallism, though there are not wanting indications that some countries would be glad to compromise now at even 20 to 1. I should expect to find, if we had access to the literature on the subject, that the earliest school of bimetallists had just as deep rooted a conviction that the true relation of value was 10 or 12 to 1. Consider for a moment what the situation would be to-day had the world adopted bimetallism when the ratio was 10 to 1, and yet bimetallism might just as well have been adopted at that ratio then as at any other ratio now.

The downward course of silver is attributed by bimetallists altogether to the fact that it was demonetised by several countries between 1870 and 1880. Its value prior to that date, however, had been sustained by the enormous absorption of the metal for money purposes, the greater proportion of the production having gone to that use, and as several countries had amassed quantities amply sufficient for their requirements until their commerce had assumed much greater dimensions, the demand for the metal from those sources was bound to abate, for it is clear that there is a point beyond which the monetary system of a country will not continue to absorb metal money. Therefore, even if Germany and the Scandinavian countries had not demonetised silver (in which event it would have been in use as money to nearly the same extent as gold) it is absolutely certain in view of the silver discoveries in Nevada in 1873, when the total annual production was suddenly doubled, and also considering how much the present enormous production would have been increased with the prolongation of its price at the level of 15½ to 1, that there would have been sooner or later a very considerable fall. As, bearing on this point, the Assay master of the British Mint estimated, about the year 1889, that the cost of the production of silver was 1 part of gold to 44 of silver, while the master of the United States Mint estimated it at 35·3 to 1. The annual comparative cost of production of the two metals is a considerably larger proportion of silver to 1 part of gold.

Nevertheless the advocates of the dual standard continue to urge its adoption at a fixed ratio, their ideas as to this ratio at present ranging from 15½ to 20 to 1. And we have to endeavor to conceive what the result of introducing such a standard would be.

The ratio of value between the two metals is at present about 27½ to 1. The enactment of a legal ratio at anything lower, say at 15½, would cause the purchasing power of gold to depreciate and the purchasing power of silver to appreciate till they met at the point where 15½ ounces of silver would purchase as much as 1 ounce of gold—that is, in gold standard countries prices would rise in a night, one might say, almost as much as they had fallen in thirty years, while, on the other hand, in silver standard countries an equally violent fall of prices would ensue. The effects of such a revolution upon the world's commerce can well be left to the imagination. That countries now on a gold basis will ever be brought to join in a step involving such consequences to themselves it is idle to suppose. The first step in this bimetallic cure requires infinitely more courage to contemplate than all the assumed evils awaiting us if we fail to institute it.

But this violent adjustment completed, what would then follow? The value of gold being depreciated it is natural to expect that its production would fall off, while the enhanced price of silver would stimulate its production; the proportion of gold absorbed in the arts would be increased, while silver at the outset would flow in increased quantities into the channels of money. So long as the amount of silver which at the then value of it is not absorbed in the arts, is approximately equivalent to the demand for it in the monetary syetems, and provided the demand for gold in the arts does not use up the entire annual supply, this bimetallic standard would perhaps work smoothly. It may be urged however, that as the stocks of metal amassed by the older civilized countries are already more than abundant for their needs as a whole, the demand for the precious metals in the future will be mainly in newly developed countries; and that looking to the enormously greater economy in the use of gold and silver as money which the development of Banking systems is certain to bring about, the proportions of the annual combined productions of the two metals which the monetary systems will absorb, will largely decrease. Adjustment will then take place through the value of the metals falling to the point where the production being necessarily decreased, and the demand for the arts increased, the total supply equals the total demand. The fall of the two metals combined, brought about through silver being overvalued, might quite possibly drag gold down to a point where the increased annual consumption in the arts would exceed the decreased annual supply, and gold would commence to disappear from circulation as money, and it would be a question of time as to when the world's currency would be on a silver basis with gold at a premium. Much of the controversy centres around a point in this connection. Bi-metallists have affirmed that it is possible for governments to regulate the value of the two metals indefinitely on parallel lines, and, challenged with the declaration that governments are impotent to counteract the laws of supply and demand, they have replied that so long as the Mints of the world are open to either metal at the fixed ratio it is impossible for their relative values to vary. This would be quite true if governments were purchasers of the metals in the capacity, as it were, of consumers, if they gave value for them and stored the surplus beyond actual requirements of the artificially valued metal out of use, but they are not purchasers in any such sense. The metal which governments take in payments of duties etc., as well as the metal which comes to the Mints to be coined and returned to the owners, all flows into the monetary system, and when this flow is in excess of the requirements, the excess is by action of forces operating in a complex manner, precipitated on the market as a commodity, immediately lowering its value, of course when the supply is beyond the demand, a process which under bi-metallism might continue until, as I have shown, the point is reached where the dearer metal disappears from circulation and goes to a premium.

Then as to the ethical aspect of bi-metallism. It would mean to the owners of gold mines, to the holders of securities payable in gold, and to the creditor class in gold standard countries, that the purchasing power of the commodity in which their share of the world's wealth is returnable to them, shall be by the action of law in part destroyed, while on the other hand, to the owners of silver mines, of securities payable in silver, and to the creditor class in silver standard countries generally, it would mean that the purchasing power which is violently wrested from gold shall be added to the commodity returnable to them. In a word it involves the violation of all the natural laws of supply and demand, the robbery of one class and the corresponding enrichment of the other.

If bi-metallism only contemplated the fixing of the ratio at whatever the market value might be at the moment of its institution, it would still be a vicious interference with the freedom of trade, a form of protection than which a more unjustifiable could not be well imagined. I am aware that to the latter bi-metallists reply that the declaration that gold only shall be legal tender, is open to the same objection, but there is no parallel. Different people have in different times formed preferences for one metal or the other; commerce came to be moulded to the accepted metal, and the law of legal tender merely recognised the preference and interpreted contracts for the payment of money.

Bi-metallists ask the co-operation of the nations in the construction of economic laws by the enactment of laws which would involve heavy losses to some nations and wrong to individuals of those nations, with a corresponding enrichment of other nations and individuals, and a commercial revolution of appalling magnitude. The object to be gained is that we may have a standard of value which will not fluctuate as much as a standard of either metal singly, and which will be a fair and permanent record of obligations over long periods of time.

That, having waded through revolution to attain it, the bimetallic standard would afford such a record, there is no certainty whatever. On the contrary, as I have pointed out, it is quite conceivable that we would in time find ourselves practically on a silver basis with far greater fluctuations than under gold.

The struggle for bimetallism is a struggle on the part of countries whose national wealth is in part measured by their mines of silver, to stay its fall to its true value at the expense of the world at large, and of countries which, having made the unfortunate selection of silver as a basis of value, and finding themselves flooded with such quantities of it as involve an enormous loss at present prices, and a probable further loss before it reaches its true value, seek to divide a loss, which is no one's but their own, with other countries. The agitation for bimetallism has never at any time gained much headway—indeed, within the last twenty years some of the foremost economists have declined absolutely to discuss it as a serious proposition, and it is now distinctly losing its force.

Gold has found its way into the chief monetary systems of the world by reason of its elemental force, because it possesses above all other metals the essential qualities of money, and the conviction is largely shared that it has been a remarkably stable standard. If, in the near future, the demand for gold should cause an appreciation of that metal, relief will be sought elsewhere than in bimetallism. We might fairly expect, for instance, that when the price of silver reaches the point where its commodity demand will stay further important depreciation, it will once more find favor as a standard of value with other countries than that of the heathen Chinee. The belief forces itself as one, however, that, having in view the great economy in the use of the metals which will be possible under highly perfected banking systems, a serious appreciation of gold is not a probability within our time.

I mentioned at an early stage that monometallists have been content for the most part to argue that bimetallism was in any event impracticable, and I think it well in closing to state a portion of their argument in this connection, which seems to me unanswerable. They urge that in the utterly improbable event of the nations agreeing on the general principles of bimetallism, there would arise the difficulty of reconciling the views of nations who have no special interest in silver, and who would be unwilling to accept a lower ratio than that of the day, with those of nations who believe that the value of silver has by unfair discrimination been lowered beyond its proper level. The insurmountable nature of this difficulty can only be appreciated to its full extent by those who have ever striven to bring about unanimity of view among any large body of men in matters where the common interest was infinitely clearer than here. But if this point were reached they further urge that the agreement would be liable to be broken in the event of disastrous wars, and that it is inconceivable that the ratio could be maintained for all time in the face of any serious divergence in the values of the two metals. The danger of one or more countries in case of war retiring from the compact, would be a constant menace to the even course of the world's commercial prosperity, while, if a serious fall in the value of one of the metals made a change in the ratio imperative, prices of all commodities would be subjected to a violent fluctuation, a graver evil than a gradual rise or fall over a series of years; but the necessity of an alteration of the ratio suggests complications respecting the different holdings of the metals by the respective countries, which merely add to the already overwhelming burden of difficulties in the way of bimetallism.

BANK RESERVES.

A financial article which lately appeared in the Montreal "Witness" on this subject had several serious misstatements of fact and misapprehensions of principle. The following article on the subject appeared in a subsequent issue of the paper bearing the signature of the late President of the Canadian Bankers' Association. The article speaks for itself:—

TO THE EDITOR OF THE 'WITNESS.'

SIR,—May I be allowed a little space to make a remark or two on the statements in your article on the financial situation in the "Witness" of Friday last, which statements I submit, are calculated most seriously to mislead your readers both with regard to what has transpired in the past and with regard to the present position of our banking institutions.

The subject of requiring banks by force of law to keep on hand a certain proportion of available resources to their liabilities was first mooted when the bank charters were renewed in 1870. Sir Francis Hincks was then Finance Minister and held strong views as to the desirableness of such a rule being incorporated in the Bank Act. Sir Francis though a man of the highest eminence as a finance minister, was not a practical banker, and when his views on this subject were brought forward they were received with unanimous disapproval by all the bankers present, including Mr. E. H. King, Mr. Paton of the British Bank, Mr. Stevenson of the Quebec Bank, and Mr. Lewin of the Bank of New Brunswick. Having been present and taken part in every one of the numerous conferences that took place in Ottawa at that time I can speak from actual knowledge and not from hearsay. All the bankers were impressed, as every conservative banker is, with the importance of keeping at all times fully adequate reserves, though they were not all agreed as to what an adequate reserve should be. But they were unanimous against the principle of requiring any specified reserve to be kept by force of law. They took the unassailable ground that a reserve that must be kept is no reserve at all. A reserve that cannot be used is obviously an absurdity; just as the reserve of an army would be if a general were forbidden to bring it into action. The representations made by bankers, and the force of the arguments they used prevailed with Sir Francis Hincks, and no such clause as he desired at first was embodied in the bill.

The matter was discussed again in conferences of bankers with the Government in 1890, but the writer of your article has given an entirely inaccurate account of what took place on that occasion. The Finance Minister had adopted the same view of the matter as that formerly held by Sir Francis Hincks, and was strenuous in his determination to have it embodied in the Banking Act. But an overwhelming majority of the bankers were equally strenuous in opposing it. It is absolutely incorrect to say, as the writer of the article has done, that a number of the more conservative bank managers favored it. Many discussions took place, between the bank managers, both amongst themselves and with the Finance Minister, and in none of these conferences was the proposal of the Government favored. The Finance Minister being immovable in his determination, the bankers appealed to the whole Cabinet, and on being courteously granted a hearing, presented their arguments at length. They repeated what had been stated to Sir Francis Hincks twenty years before, and in addition could bring forward an additional argument of great strength, viz., that in the only country in the world where such a rule prevailed, viz., in the United States, it had repeatedly broken down by force of circumstances, had led to a disregard of the law during every year it had prevailed, and had caused immense mischief to the finances and commerce of the country. After hearing our arguments, Sir John Macdonald desired the views of the bankers to be put in writing, which was done. The matter was then deliberately and carefully considered by the whole body of ministers, who gave their decision in favor of the views of the bankers. The clause as proposed by the Finance Minister was therefore, struck out of the bill. There is thus to be found against the theory of the writer of the article, the opinion of the eminent bankers assembled in 1870, the concurrence of Sir Francis Hincks, the united judgment of the vast majority of the bankers assembled in 1890, and, above all, the deliberate opinion of the Privy Council of Canada, arrived at after the most careful consideration of the arguments on the subject, both pro and con. This is a true statement of what has transpired in the past, and I must repeat that none of it is derived from hearsay, bnt from the personal knowledge of one who took part in all the deliberations.

With regard to the subject of bankers' reserves, I may speak from the experience of thirty years as cashier of one bank, and general manager of another, during which time I have seen and have conducted a bank through every possible phase through which a bank can pass, have seen both runs and drains and panics, and I say deliberately that no fixed rule can be laid down with regard either to the total available resources which a banker should keep or the amount of actual cash in hand which should form part of that reserve. Mr. Walker is quoted in a manner which I am sure he would repudiate. And I must emphatically protest against the manner in which certain banks are charged with carelessness in this matter, and with endangering the position of their more convervative neighbors. There are a good many of the banks in the list you furnish that have good reason to remonstrate at such gross misrepresentation. It is not true that conservative bankers generally are of the opinion that legal tender reserves should not be permitted to fall below this, that, or the other, for this clearly implies that many banks well known for their stability and conservative principles are acting contrary to their convictions. Such serious charges should not be made unless they can be proved. The only thing that can be truly said about this matter is, as has been said in the article, that opinions differ. It is well known to those whose acquaintance with the subject is practical, that what is a strong reserve to one bank would be a weak reserve to another, that what would be a strong reserve at one time would be a weak reserve at another; that the same amount of cash as would be entirely inadequate at one time would be amply adequate at another; that a banker may at one time be perfectly safe in having his available resources in the shape of balances in foreign countries, or in England, and at another time seek the path of prudence by drawing in such balances and holding a large amount in cash. The only fair, rational and proper statement of a bank's position is to take in all its available resources. Any attempt to do otherwise, however plausible it may seem, is unfair, irrational, misleading, and betrays a want of practical familiarity with the subject.

The writer of your article says that he does not quarrel with soundness of the banks, but with their practice in one particular. But what possible relevancy can such statements and comparisons have but as bearing on their soundness? It is the soundness of banks with which the public are concerned, and as bearing on their soundness I must take leave to say that the comparative table furnished in the article is grossly misleading. I write strongly and for a good reason. The subject is too important to be trifled with. Bankers are not keeping a school, but conducting the business of the country. The writer makes some remarks about some supposed loose action of clearing houses which have as little foundation as the other. The clearing houses may be left to take care of themselves, but the Dominion Government is not likely to take any measures merely to further theories which have been discussed by the Government itself, and which theories they have rejected as impolitic and impracticable.

GEORGE HAGUE.

Merchants Bank of Canada,
Montreal, Nov. 4th, 1893.

THE OLD LADY OF THREADNEEDLE STREET.

From "Household Words, 1850," by Charles Dickens.

Perhaps there is no Old Lady who has attained to such great distinction in the world, as this highly respectable female. Even the Old Lady who lived on a hill, and who, if she's not gone, lives there still; or that other Old Lady who lived in a shoe, and had so many children she didn't know what to do,—are unknown to fame, compared to the Old Lady of Threadneedle Street. In all parts of the civilized earth, the imaginations of men, women, and children figure this tremendous Old Lady of Threadneedle Street in some rich shape or other. Throughout the length and breadth of England, old ladies dote on her; young ladies smile on her; old gentlemen make much of her; young gentlemen woo her; everybody courts the smiles, and dreads the coldness, of the powerful Old Lady in Threadneedle Street. Even prelates have been said to be fond of her; and Ministers of State to have been unable to resist her attractions. She is next to omnipotent in the three great events of human life. In spite of the old saw, far fewer marriages are made in heaven, than with an eye to Threadneedle Street. To be born in the good graces of the Old Lady of Threadneedle Street, is to be born to fortune; to die in her good books, is to leave a far better inheritance, as the world goes, than "the grinning honor that Sir Walter hath," in Westminster Abbey. And there she is, forever in Threadneedle

Street, another name for wealth and thrift, threading her golden-eyed needle all the year round.

This Old Lady, when she first set up, carried on business in Grocers' Hall, Poultry; but in 1732 she quarrelled with her landlords about a renewal of her lease, and built a mansion of her own in Threadneedle Street. The director of her affairs was then Sir John Houblon, on the site of whose house and garden she reared her new abode. This was a modest structure, somewhat dignified by having a statue of William the Third placed before it; but not the more imposing from being at the end of an arched court, densely surrounded with habitations, and abutting on the church-yard of St. Christopher le Stocks.

But now, behold her, a prosperous gentlewoman in the hundred and fifty-seventh year of her age; "the oldest inhabitant" of Threadneedle Street! There never was such an unsatiable Old Lady for business. She has gradually enlarged her premises, until she has spread them over four acres; confiscating to her own use, not only the parish church of St. Christopher, but the greater part of the parish itself.

We count it among the great events of our young existence, that we had, some days since, the honor of visiting the Old Lady. It was not without an emotion of awe that we passed her Porter's Lodge. The porter himself, blazoned in royal scarlet, and massively embellished with gold lace, is an adumbration of her dignity and wealth. His cocked hat advertises her stable antiquity as plainly as if she had written up, in imitation of some of her lesser neighbors, "established in 1694." This foreshadowing became reality when we passed through the Hall,—the tellers' hall. A sensation of unbounded riches permeated every sense, except, alas! that of touch. The music of golden thousands clattered in the ear, as they jingled on counters, until its last echoes were strangled in the puckers of tightened money-bags, or died under the clasps of purses. Wherever the eye turned, it rested on money; money of every possible variety; money in all shapes; money of all colors. There was yellow money, white money, brown money; gold money, silver money, copper money; paper money, pen and ink money. Money was wheeled about in trucks; money was carried about in bags; money was scavengered about with shovels. Thousands of sovereigns were jerked hither and thither from hand to hand,—grave games of pitch and toss were played with staid solemnity; piles of bank notes—competent to buy whole German dukedoms and Italian principalities—hustled to and fro with as much indifference as if they were (as they had been) old rags.

This Hall of the Old Lady's overpowered us with a sense of wealth; oppressed us with a golden dream of Riches. From this vision an instinctive appeal to our own pockets, and a few miserable shillings, awakened us to Reality. When thus aroused we were in one of the Old Lady's snug, elegant waiting-rooms, which is luxuriously Turkey-carpeted and adorned with two excellent portraits of two ancient cashiers; regarding one of whom the public were warned:—

"Sham Abraham you may,
I have often heard say:
But you mustn't sham 'Abraham Newland.'"

There are several conference rooms for gentlemen who require a little private conversation with the Old Lady,—perhaps on the subject of discounts.

It is no light thing to send in one's card to the Foster-Mother of British commerce; the Soul of the State; "the Sun," according to Sir Francis Baring, around which the agriculture, trade, and finance of this country revolves; the mighty heart of active capital, through whose arteries and veins flows the entire circulating medium of this great country. It was not, therefore, without agitation that we were ushered from the waiting-room, into that celebrated private apartment of the Old Lady of Threadneedle Street,—the Parlour,—the Bank Parlour,—the inmost mystery,—the *cella* of the great Temple of Riches.

The ordinary associations called up by the notion of an old lady's comfortable parlour were not fulfilled by this visit. There is no domestic snugness, no easy chair, no cat, no parrot, no japanned bellows, no portrait of the Princess Charlotte and Prince Leopold in the Royal Box at Drury Lane Theatre; no kettle-holder, no worsted rug for the urn, no brass footman for the buttered toast, in the parlour in Threadneedle Street. On the contrary, the room is extensive,—supported by pillars; is of grand and true proportion; and embellished with architectural ornaments in the best taste. It has a long table for the confidenthis one department no fewer than three hundred account books are printed, ruled, bound, and used every week. During that short time they are filled with MS. by the eight hundred subordinates and their chiefs. By way of contrast, we saw the single ledger which sufficed to post up the daily transactions of the Old Lady on her first establishment in business. It is no bigger than that of a small tradesman's, and served to contain a record of the year's accounts. Until within the last few years, visitors to the Bullion Office were shown the old box into which the books of the Bank were put every night for safety during the Old Lady's early career. This receptable is no bigger than a seaman's chest. A spacious fire-proof room is now nightly filled with each days accounts, and they descend to it by means of a great hydraulic trap in the Drawing Office; the mountain of calculation when collected being too huge to be moved by human agency.

These works are, of course, only produced for private reference; but the Old Lady's publishing business is as extensive as it is profitable and peculiar. Although her works are the reverse of heavy or erudite,—being "flimsy" to a proverb,—yet the eagerness with which they are sought by the public surpasses that displayed for the productions of the greatest geniuses who ever enlightened the world: she is, therefore, called upon to print enormous numbers of each edition,—generally one hundred thousand copies; and reprints of equally large impressions are demanded, six or seven times a year. She is protected by a stringent copyright; in virtue of which piracy is felony, and was, until 1831, punished with death. The very paper is copyright, and to imitate even that entails transportation. Indeed, its merits entitle it to every protection, for it is a very superior article. It is so thin, that each sheet, before it is sized, weighs only eighteen grains; and so strong, that, when sized and doubled, a single sheet is capable of suspending a weight of fifty-six pounds.

The literature of these popular prints is concise to terseness. A certain individual, duly accredited by the Old Lady, whose autograph appears in one corner, promises to pay to the before-mentioned Mr. Matthew Marshall, or bearer, on demand, a certain sum, for the Governor and Company of the Bank of England.

There is a date and a number; for the Old Lady's sheets are published in Numbers; but, unlike other periodicals, no two copies of hers are alike. Each has a set of numerals, shown on no other. It must not be supposed, from the utter absence of rhetoric in this Great Woman's literature, that it is devoid of ornament. On the contrary, it is illustrated by eminent artists; the illustrations consisting of the waves of a watermark made in the paper; a large black blot, with the statement in white letters, of the sum which is promised to be paid; and the portrait, referred to in a former part of this account, of the Wonderful Old Lady.

She makes it a practice to print thirty thousand copies of these works daily. Every thing possible is done by machinery,—engraving, printing, numbering; but we refrain from entering into further details of this portion of the Old Lady's Household here, as we are preparing a review of her valuable works, which shall appear, in the form of a History of a Bank-note. The publication department is so admirably conducted, that a record of each individual piece of paper launched on the ocean of public favor is kept, and its history traced till its return; for another peculiarity of the Old Lady's establishment is, that every impression put forth comes back,—with few exceptions,—in process of time, to her shelves; where it is kept for ten years, and then burnt. This great house is, therefore, a huge circulating library. The daily average number of notes brought back into the Old Lady's lap,—examined to detect forgeries; defaced: entered upon the record made when they were issued; and so stored away that they can be reproduced at any given half-hour for ten years to come,—is twenty-five thousands. On the day of our visit, there came in twenty-eight thousand and seventy-four of her picturesque pieces of paper, representing one million one thousand two hundred and seventy pounds sterling, to be dealt with as above, preparatory to their decennial slumber on her library shelves.

The apartment in which the notes are kept *previous* to issue is the Old Lady's Store room. There is no jam, there are no pickles, no preserves, no gallipots, no stoneware jars, no spices, no anything of that sort, in the Store-room of the Wonderful Old Lady. You might die of hunger in it. Your sweet tooth would decay and tumble out, before it could find the least gratification in the

Old Lady's Store room. There was a mouse found there once, but it was dead, and nothing but skin and bone. It was a grim room, fitted up all around with great iron safes. They look as if they might be the Old Lady's ovens, never heated. But they are very warm in the City sense; for when the Old Lady's two store-keepers have, each with his own key, unlocked his own one of the double locks attached to each, and opened the door, Mr. Matthew Marshall gives you to hold a little bundle of paper, value two millions sterling; and, clutching it with a strange tingling, you feel disposed to knock Mr. Matthew Marshall down, and, like a patriotic Frenchman, to descend into the streets.

No tyro need be told that these notes are representatives of weightier value, and were invented partly to supersede the necessity of carrying about ponderous parcels of precious metal. Hence,—to treat of it soberly,—four paper parcels taken out, and placed in our hands,—consisting of four reams of Bank-notes ready for issue, and not much more bulky than a thick octavo volume,—though they represent gold of the weight of *two tons*, and of the value of two millions of pounds sterling, yet weigh not quite one pound avoirdupois each, or nearly four pounds together. The value in gold of what we could carry away in a couple of side pockets (if simply permitted by the dear Old Lady in Threadneedle Street, without proceeding to extremities upon the person of the Chief Cashier) would have required, but for her admirable publications, two of Barclay and Perkin's strongest horses to draw.*

We have already made mention of the Old Lady's Lodge, Hall, Parlour, Store room, and Drawing-room. Her Cellars are not less curious. In these she keeps neither wine, nor beer, nor wood, nor coal. They are devoted solely to the reception of the precious metals. They are like the caves of Treasures in the Arabian Nights; the common Lamp that shows them becomes a Wonder-Lamp in Mr. Marshall's hands, and Mr. Marshall becomes a Genie. Yet only by the power of association; for they are very respectable arched cellars, that would make dry skittle grounds, and have nothing rare about them but their glittering contents. One vault is full of what might be barrels of oysters,—if it were not the Russian Loan. Another is rich here and there with piles of gold bars, set crosswise, like sandwiches at supper, or rich biscuits in a confectioner's shop. Another has a moonlight air from the presence of so much silver. Dusky avenues branch off, where gold and silver amicably abide their time in cool retreats, not looking at all mischievous here, or anxious to play the devil with our souls. O for such cellars at home! "Look out for your young master half a dozen bars of the ten bin." "Let me have a wedge of the old crusted." "Another Million before we part,—only one Million more, to finish with!" The Temperance Cause would make but slow way, as to such cellars, we have a shrewd suspicion!

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* One thousand sovereigns weigh twenty-one pounds, and five hundred and twelve Bank-notes weigh exactly one pound.

Beauty of color is here associated with worth. One of these brilliant bars of gold weighs sixteen pounds troy, and its value is eight hundred pounds sterling. A pile of these, lying in a dark corner,—like neglected cheese, or bars of yellow soap,—and which might be contained in an ordinary tea-chest, is worth two hundred and ten thousand pounds. Fortune herself, transmuted into metal, seems to repose at our feet. Yet this is only an *eightieth* part of the wealth contained in the Old Lady's cellars.

The future history of this metal is explained in three sentences; it is coined at the Mint, distributed to the public, worn by friction (or "sweated" by Jews) till it becomes light. What happens to it then we shall see.

By a seldom failing law of monetary attraction, nearly every species of cash, "hard" or soft, metallic or paper, finds its way some time or other back to the extraordinary Old Lady of Threadneedle Street. All the sovereigns returned from the banking-houses are consigned to a secluded cellar; and, when you enter it, you will possibly fancy yourself on the premises of a clock-maker who works by steam. Your attention is speedily concentrated to a small brass box, not larger than an eight-day pendule, the works of which are impelled by steam. This is a self-acting weighing machine, which, with unerring precision, tells which sovereigns are of standard weight, and which are light, and of its own accord separates the one from the other. Imagine a long trough or spout,—half a tube that has been split into two sections,—of such a semi-circumference as holds sovereigns edgeways, and of sufficient length to allow of two hundred of them to rest in that position one against another. This trough thus charged is fixed slopingly upon the machine over a little table as big as that of an ordinary sovereigns-balance. The coin nearest to the Lilliputian platform drops upon it, being pressed forward by the weight of those behind. Its own weight presses the table down; but how far down? Upon that hangs the whole merit and discriminating power of the machine. At the back and on each side of this small table, two little hammers move by steam backwards and forwards, at different elevations. If the sovereign be full weight, down sinks the table too low for the higher hammer to hit it; but the lower one strikes the edge, and off the sovereign tumbles into a receiver to the right. The table pops up again, receives, perhaps, a light sovereign, and the higher hammer, having always first strike, knocks it into a receiver to the left, time enough to escape its colleague, which, when it comes forward, has nothing to hit, and returns, to allow the table to be elevated again. In this way the reputation of thirty-three sovereigns is established or destroyed every minute. The light weights are taken to a clipping machine, slit at the rate of two hundred a minute, weighed in a lump, the balance of deficiency charged to the banker from whom they were received, and sent to the Mint to be recoined. Those which have passed muster are reissued to the public. The inventor of this beautiful little detector was Mr. Cotton, a former governor. The comparatively few sovereigns brought in by the general public are weighed in ordinary scales by the tellers. The average loss upon each light coin, on an average of thirty-five thousands taken in 1843, was two pence three farthings.

The business of the "Great House" is divided into two branches; the issue and the banking department. The latter has increased so rapidly of late years, that the last addition the Old Lady was constrained to make to her house was the immense Drawing-room aforesaid, for her customers and their payees to draw cash on checks and to make deposits. Under this noble apartment is the Strong Room, containing private property, supposed to be of enormous value. It is placed there for safety by the constituents of the Bank, and is concealed in tin boxes, on which the owner's names are legibly painted. The descent into this stronghold—by means of the hydraulic trap we have spoken of—is so eminently theatrical, that we believe the Head of the Department, on going down with the books, is invariably required to strike an attitude, and to laugh in three sepulchral syllables; while the various clerks above express surprise and consternation.

Besides private customers, every body knows that our Old Lady does all the banking business for the British Government. She pays the interest to each Stockholder in the National Debt, receives certain portions of the revenues, &c. A separate set of offices is necessary, to keep all such accounts, and these Stock Offices contain the most varied and extensive collections of autographs extant. Those whom Fortune entitles to dividends must, by themselves or by their agents, sign the Stock books. The last signature of Handel, the composer, and that upon which Henry Fauntleroy was condemned and executed, are among the foremost of these lions. Here, standing in a great long building of divers stores, looking dimly upward through iron gratings, and dimly downward through iron gratings, and into musty chambers diverging into the walls on either hand, you may muse upon the National Debt. All the sheep that ever came out of Northamptonshire seem to have yielded up their skins to furnish the registers in which its accounts are kept. Sweating and wasting in this vast silent library, like manuscripts in a mouldy old convent, are the records of the Dividends that are, and have been, and of the Dividends unclaimed. Some men would sell their fathers into slavery, to have the rummaging of these old volumes. Some who would let the Tree of Knowledge wither while they lay contemptuously at its feet, would bestir themselves to pluck at its leaves, like shipwrecked mariners. These are the books to profit by. This is the place for X. Y. Z. to hear of something to his advantage in. This is the land of Mr Joseph Ady's dreams. This is the dusty fountain whence those wondrous paragraphs occasionally flow into the papers, disclosing how a laboring thatcher has come into a hundred thousand pounds,—a long, long way to come,—and gone out of his wits,—not half so far to go. O wonderful Old Lady! threading the needle with the golden eye all through the labyrinth of the National Debt, and hiding it in such dry haystacks as are rotting here!

With all her wealth, and all her power, and all her business, and all her responsibilities, she is not a purse-proud Old Lady; but a dear, kind, benevolent Old Lady; so particularly considerate to her servants, that the meanest of them never speaks of her otherwise than with affection. Though her domestic rules are uncommonly strict; though she is very severe upon "mistakes," be they ever so unintentional; though she makes her in-door servants keep good hours, and won't allow a lock to be turned or a bolt to be drawn after eleven at night, even to admit her dearly beloved Matthew Marshall himself,—yet she exercises a truly tender and maternal care over her family of eight hundred strong. To benefit the junior branches, she has recently set aside a spacious room, and the sum of five hundred pounds, to form a library. With this handsome capital at starting, and eight shillings a year subscribed by the youngsters, an excellent collection of books will soon be formed. Here, from three till eight o'clock every lawful day, the subscribers can assembly for recreation or study; or, if they prefer it, they can take books to their homes. One chief of each office attends in turn during the specified hours,—a self-imposed duty, in the highest degree creditable to, but no more than is to be expected from, the stewards of a Good Mistress; who, when any of her servants become superannuated, soothes declining age with a pension. The last published return states the number of pensioners at one hundred and ninety-three; each of whom received on an average £161, or an aggregate of upwards of £31,000 per annum.

Her kindness is not unrequited. Whenever any thing ails her, the assiduous attention of her people is only equalled by her own bounty to them. When dangerously ill of the Panic in 1825, and the outflow of her circulating medium was so violent that she was in danger of bleeding to death, some of her upper servants never left her for a fortnight. At the crisis of her disorder, on a memorable Saturday night (December the seventeenth) her Deputy-Governor—who even then had not seen his own children for a week—reached Downing Street "reeling with fatigue," and was just able to call out to the King's Ministers,—then anxiously deliberating on the dear Old Lady's case,—that she was out of danger! Another of her managing men lost his life in his anxiety for her safety, during the burning of the Royal Exchange, in January, 1838. When the fire broke out, the cold was intense;

and although he had just recovered from an attack of the gout, he rushed to the rescue of his beloved Old Mistress, saw every thing done that could be done for her safety, and died from his exertions. Although the Old Lady is now more hale and hearty than ever, two of her cashiers sit up in turn every night to watch over her; in which duty they are assisted by a company of Foot Guards.

The kind Old Lady of Threadneedle Street has, in short, managed to attach her dependants to her by the strongest of ties,—that of love. So pleased are some with her service, that, when even temporarily resting from it, they feel miserable. A late Chief Cashier never solicited but one holiday, and that for only a fortnight. In three days he returned, expressing his extreme disgust with every sort of recreation but that afforded him by the Old Lady's business. The last words of another old servant, when on his death-bed, were, "O that I could only die on the Bank steps!"

JOHN HOUBLON'S TANKARD.

An incident fraught with considerable interest for Bankers, which occurred in New York a short time ago, may appropriately be chronicled here, following the mention, in the foregoing sketch, of Sir John Houblon's name as the first Governor of the Bank of England.

About three years ago Messrs. Howard & Co., a firm of New York silversmiths, purchased from the solicitor of an English family, whose name cannot be ascertained, a silver tankard bearing marks testifying to two centuries of age. Our New York contemporary says: "When this old tankard was new, Mary, "Queen of England, had just died of small-pox, and William of "Orange, her husband, had become sole sovereign. The Bank "of England had just been created. Chesterfield and Handel "were infants in arms. La Fontaine, the French fabulist had "just passed away, and Racine, the French dramatist, and John "Dryden, the English poet, were on the edge of the grave. The "French had just begun the settlement of Louisiana. The "buildings of William and Mary College, the oldest seat of learn-"ing in this country except Harvard, had just been designed by

"Sir Christopher Wren. Dean Swift had just come out of "Oxford and been ordained, and the English had just got New "York away from the Dutch.

"The hall marks determine beyond question the age and "authenticity of the tankard. They are found, as in the case "with all genuine pieces of that age, on the cup itself and on "the lid.

"The leopard's head crowned was the mark of Goldsmiths' "Hall. The lion passant was the king's mark. Both of these "certified to the correctness of the assay. The date mark an 's,' "officially designated as 'black letter small,' affixes the date of "assay in Goldsmiths' Hall as of the period between March "1695 and June 1696, in the reign of William III. The alphabet "from A to U inclusive, and omitting J, was used for date "marks, so that an alphabet of any one font would serve for "twenty years. Every twenty years the font was changed. "The font preceding 'black letter small' was 'black letter "capitals,' and the font for the next twenty years was 'court "hand.' The small black letter 's' indicates the eighteenth "year of the cycle begun March 1678.

"No record can be found of the maker whose mark, W. G. "crowned, appears on the tankard, save a double impression of "the same mark on the copper plate, now in the Goldsmiths' "Guild Hall, on which are the marks from workmen at the assay "office prior to April 15, 1697, of which no other entry is to be "found. All the records of the Guild Hall were destroyed, and "this plate alone remains a silent witness for men whose work "has outlived them by centuries, to be sought by lovers of the "beautiful as well as admirers of the curious. It was a custom "as early as 1423 to require that each maker should strike or "punch his mark on a strip of hardened lead kept for the purpose, "and his name was written at length on parchment immediately "opposite. These tables, as they were called, were required to "be kept for public view, but, unfortunately, all have disappear-"ed and the sheet of copper only has been preserved."

Rare interest, however, it possesses because of the following inscription which it bears:

The gift of the Directors of the Bank of England to Sir John Houblon, Governor, Lord Mayor of London, in token of his great ability, industry and strict uprightness at a time of extreme difficulty.

1696.

Macaulay tells an interesting story of the circumstances. The National Land Bank, which was organized under William of Orange to help his treasury in the war with France, had failed on account of the hostility with the goldsmiths. King William was in the direst necessities for the sinews of war, and the financial condition of England was appalling. At one time the discount rate was only 6 per cent., at another 24 per cent. A £10 note which had been taken in the morning as worth £9, was often worth less than £8 at night. The Duke of Portland was sent by the King from the seat of war in Flanders, "to obtain money at whatever cost and from whatever quarter."

The despairing Council of Regency had recourse to the Bank of England, organized only two years before, and £200,000 was the very smallest sum which would suffice to meet the King's pressing needs. The capitalists holding sway in the Bank of England were in bad humour, for it had become necessary for the Directors to make a call of 20 per cent. on their constituents and submit it to more than 600 persons entitled to vote. Shrewsbury, the Prime Minister, wrote to the King regarding the decision to appeal to the Bank of England, "If this should not succeed, God knows what can be done" Anything must be tried and ventured rather than lie down and die." Macaulay tells the result in these words: "On the 15th of August, a great epoch in the history of the Bank, the general court was held. In the chair sat Sir John Houblon, the Governor, who was also Lord Mayor of London, and, what in these times would be thought strange, a Commissioner of the Admiralty. Sir John in a speech, every word of which had been written, and had been carefully considered by the Directors, explained the case and implored the assembly to stand by King William. There was at first a little murmuring. "If our notes would do," it was said, 'we would be most willing to assist; but £200,000 in hard money in a time like this' - - - The Governor announced explicitly that nothing but gold or silver would supply the necessity of the army in Flanders. At length the question was put to a vote, and every hand in the hall was held up for sending the money. The power of Louis XIV was broken and England and Holland preserved their liberties."

The tankard remained with Messrs. Howard for a year when it became the property of the First National Bank. When the last tremor of the recent financial panic had disappeared a peculiarly appropriate use for the tankard occurred to its owners, and it was turned over by Mr. George F. Baker, president of the bank, to his associates on the Loan Committee of the Clearing House to be presented to Frederick D. Tappen, president of the Gallatin National Bank, and chairman of the Clearing House. Accompanying it was the following letter from Mr. Baker:

> This bank has recently come into the possession of a piece of historic silver, a testimonial tankard, which was presented by the directors in 1696 to the first Governor of the Bank of England, in token of their appreciation of his services during the financial crisis then ending.
>
> The circumstances surrounding that first presentation so closely parallel our recent financial troubles, and the inscription upon the tankard so perfectly describes the services of Mr. Tappen during the last and preceding panics, that it requires only the addition of his name to complete its appropriateness.
>
> Feeling that the retiring Loan Committee will take much satisfaction in presenting to Chairman Tappen so fitting an expression of their indebtedness to him and that of the associated banks of New York, we have pleasure in placing the tankard at their disposal for this purpose.

Mr. Tappen's associates added this inscription on the lid:

> The gift of the Loan Committee of 1893 of the New York Clearing House Association, to FREDERICK D. TAPPEN, Chairman, in token of his great ability, industry and strict uprightness at a time of extreme difficulty.
>
> 1873, 1884, 1890, 1893.
>
> NEW YORK, November, 1893.

Mr. J. Edward Simmons, president of the Fourth National Bank, acted as spokesman and in making the presentation he said:

Original, powerful and independent, you never shrank from the performance of a duty, nor were you in any way recreant to the great trust reposed in you by the associated banks of the city of

New York. It is, therefore, gratifying to us to testify by this gift to the meritorious services you have rendered to the financial and commercial interests of this country.

With the firm assurance that this tankard, which for two hundred years has stood for ability, industry and uprightness, will always represent these qualities in your hands, we leave it with you.

And Mr. Tappen replying said:

This piece of silver, if melted down, would be of little intrinsic worth. The circumstances, however, surrounding its presentation to Sir John Houblon nearly two hundred years ago; the inscription upon it showing that it was given to him in recognition of services rendered to the Bank of England as its first Governor at a time of extreme difficulty in 1696, make it almost of priceless value as an historic souvenir. When you add to this, however, the duplication of the original inscription, dedicating this tankard to me, its value, in my opinion, becomes inestimable, and I cannot believe that any act of mine can merit so great a compliment.

This gift will be cherished by me during the remainder of my life as a precious treasure, and I trust that it will be guarded by my descendants with as great vigilance as it will be by myself. * * * Again, gentlemen, I wish to tender my thanks for this beautiful gift. It has to me an additional value, coming from those with whom I have been so closely and so kindly associated during the many dark and gloomy days of the past few months. I accept it with a grateful heart, and, I trust, with becoming modesty.

The event, marking in a novel manner the end of the worst crisis in the history of American banking, and being participated in by the men whose courageous bearing throughout the panic was conspicuously the most important element in averting graver disaster, is altogether unique and noteworthy.

PRIZE ESSAY COMPETITION.

The two following Papers were amongst those receiving "Honourable Mention" in the Prize Essay Competition of which a report was given in the first number of this Journal.

STATE ALL THE POINTS CONNECTED WITH AN ENDORSER, EITHER WHEN THERE IS ONE OR MORE THAN ONE, AND THE DIFFERENCE BETWEEN THE SECURITY OF A GUARANTEE AND AN ENDORSEMENT.

Paper by MR. T. E. MERRETT.

Merchants' Bank of Canada.

Before entering upon the details and technicalities connected with our subject, a few general remarks may not be out of place.

The custom of requiring security for advances is a well established one and probably constitutes the first principle of sound banking. At all events it is a generally recognized rule in banking circles; and rightly so, both in the interests of banker and borrower.

That a bank's safety depends upon the enforcement of such a regulation can hardly be denied, and although it would appear to many to be an arrangement solely in the banker's interests, closer examination will show it to be of the greatest advantage to borrower as well. Men of means should not object to give full security for advances, but should assist in carrying out a rule which, by enforcement among wealthy as well as impecunious men, protects them from undue competition by men of no stability whatever who cannot expect the same scope in their business arrangements as if they were wealthy and of undoubted financial ability. The man of means doing a legitimate business is the man who can give security for his requirements, and he will readily see the advantage of a regulation which will deter the man without means from rushing into undesirable competition.

Besides the security of Endorsement and Guarantee, with which we have here more particularly to deal, there are many modes of taking security, and a banker is under few restrictions as to the character of security upon which he may make advances. He may advance upon stocks or debentures, collateral notes, warehouse receipts and bills of lading, etc., he may take mortgages on real or personal property as additional security for a debt, and may acquire absolute title to same, provided the property so acquired be not held for a longer period than seven years. He may not, however, make advances upon the security of his own bank stock. But the security of Endorsement is the most generally adopted method for reason perhaps of the convenience to all parties concerned.

The points connected with an endorser are very numerous, and a banker's constant vigilance in handling negotiable paper is at all times most necessary. He has to guard against forgeries; and too much caution cannot be exercised here. The fact that he may have so far escaped loss from this source does not excuse any abatement in the exercising of rigid care.

It would be well if negotiable instruments could be drawn up at the bank in the manager's presence, but this would be inconvenient and often impossible; he can at least use his judgment, and if anything of suspicious nature, such as a slight defect or irregularity is noticed in signatures, etc., he should spare no pains to get at the bottom of it, always taking the benefit of a doubt. A notice to an endorser to the effect that paper bearing his endorsement has been discounted, is sometimes sent and may be at times effectual in detecting fraud or forgery, but as a rule this is like "shutting the stable door after the horse is gone," and the proper time to raise the point is before negotiating.

A banker should be satisfied that an endorser can pay, should it become necessary, (and there is always that possibility) without embarrassment, the sum for which he is surety. He should accustom himself to measure or "size up" notes or bills of exchange when offered, and, without displaying unnecessary curiosity, he can generally ascertain the true nature of such bills, whether they represent genuine business transactions, and the endorsement is for value or merely accommodation. The latter class of paper sometimes masquerades as business paper, but no man of integrity and honour will try to practice such deception upon his banker. If he wants accommodation he should say so, and, if in reason, his requirements will doubtless be met, but not in the disguise of business paper.

As to the law regarding endorsements, every banker should be familiar with the Act respecting bills of exchange.

The endorser of a bill by endorsing it engages that it shall be duly honored, and if it is dishonoured he will compensate the holder or a subsequent endorser, who is compelled to pay it, provided that the requisite proceedings are duly taken. The requisite proceedings are the due notification by or on behalf of the holder, or by or on behalf of an endorser, who at the time of giving it, is himself liable on the bill.

Notice may be given by an agent either in his own name or in the name of any party entitled to give notice, whether that party is his principal or not.

Where the notice is given by or on behalf of the holder it enures for the benefit of all subsequent holders, and all prior endorsers who have a right of recourse against the party to whom it is given.

It is important to know that such notice must be mailed on the date of maturity of the bill, or on the next following juridical or business day. An endorser, may, however, waive notice of dishonour, and a waiver in favor of the holder enures for the benefit of all parties prior to such holder as well as subsequent holders, but does not affect parties prior to the endorser so waiving.

As to endorsements of a firm, one member cannot generally bind the firm unless the transaction is connected with the business of the firm. A firm is liable only to one who deals with a partner in good faith. If a banker advances upon the endorsement of the name of a firm knowing that it is not connected with the firm's business, it has been held that he cannot recover from the firm. If, however, he advances to a partner in good faith upon his endorsement of the firm's name it is generally held that he can recover.

Endorsement by an attorney should read "per pro:" and the banker should hold the power of attorney that he may know to what extent the attorney is authorized to endorse for his principal.

As to guarantees—a personal guarantee or bond of one or more sureties, promising the payment of certain advances made by a banker to his customer, is another form of security. A guarantor undertakes to pay should the drawer or acceptor fail to do so, and being very often an additional surety. Such guarantor promises to pay on demand and is not entitled to notice of dishonour. This perhaps is the principal point of difference between a guarantee and an endorsement, the endorser being entitled to due notice of dishonour, but the guarantor (according to the law in England upon which the Canadian law is largely based, and from which many of our precedents are taken) is liable without notice of dishonour. This is an important distinction when it is considered that without due notice an endorser is released. Some guarantees are so drawn as to entitle the guarantor to six months' notice.

The security of a guarantee is most effectual, and especially for taking additional security when required. As an only security, for some reasons it is, however, not so desirable as endorsement. Its inconvenient and troublesome nature precludes a guarantee from being a satisfactory form of security for negotiable bills, it being as a rule a long legal document full of law phraseology only familiar to a solicitor. But on the other hand when it is given to cover a number of bills or transactions, or where a surety may not wish his name to appear on negotiable bills, or may not be accessible when required to endorse, a guarantee is in such cases a most convenient and desirable security.

All bonds should be drawn by the banker's solicitor, or at least examined and approved by him, to avoid possible defence or attempt to invalidate the document.

In closing these remarks, I may say that theory is of little value to a banker in handling security, either of endorsement or guarantee, as compared with practical judgment and common sense.

FAC ET SPERA.

STATE CONCISELY THE VARIOUS POINTS TO BE NOTED BY A TELLER WITH REGARD TO CHEQUES OR ANY OTHER FORM OF PAYMENT, AND DEPOSITS OR ANY OTHER FORM OF RECEIPT; ALSO OTHER MATTERS IN WHICH HE HAS TO DEAL WITH CUSTOMERS ACROSS THE COUNTER, AND ESPECIALLY HOW HE CAN ADVANCE THE INTERESTS OF HIS EMPLOYER.

Paper by MR. GEO. MUNROE.

Merchants' Bank of Canada.

CHEQUES, LOCAL.

All cheques must be marked "good" by the ledger-keeper before being presented to the teller for payment.

Cultivate the habit of reading the body of the cheque—it is an easy matter, often, to alter the figures, but a close scrutiny of the words in the body will nearly always detect an attempt at raising the amount.

A teller should have a thorough knowledge of the signatures of all the customers of the branch to which he belongs; he should be just as careful to see that cheques are genuine and in order, as he is to see that he does not take in counterfeit notes.

IDENTIFICATION.

Identification to be of value must be personal; the party identifying must be well known at the bank, come in person to the bank and sign his name in the presence of the teller. An endorsement is not identification. A personal identification is valueless without an endorsement, and an endorsement equally so unless the *party giving it is able to pay the amount.*

The duty and authority of a bank to pay a cheque drawn on it by its customer are terminated by:

(1) Countermand of payment.
(2) Notice of the customer's death.

CROSSED CHEQUES.

The law as regards "crossed cheques" is a new one in Canada, in force since the passing of the "Bills of Exchange" Act of 1890.

The principle of the act is that a crossed cheque should be presented to the bank upon which it is drawn through another bank, or if payee is a customer of paying bank, it must be passed through his account. In no case shall money be paid out over the counter on a crossed cheque.

A cheque is crossed when it bears across its face an addition of:

(1) The word "bank" between two parallel transverse lines either with or without the words "not negotiable."

(2) Two parallel lines, transverse lines simply, either with or without the words "not negotiable."

That addition constitutes a crossing and the cheque is crossed generally.

Where the cheque bears across its face an addition of the name of a bank either with or without the words "not negotiable," that addition constitutes a crossing and the cheque is crossed specially, and to that bank.

UNCROSSING CROSSED CHEQUES.

A crossed cheque may be uncrossed by the *drawer* writing between the transverse lines the words "pay cash" and initialing the same.

DRAFTS BETWEEN BRANCHES.

These should be compared with the advice, and care taken to see that they bear the signatures of the properly authorized officers of the issuing office.

CHEQUES AND SIGHT DRAFTS ON OUTSIDE POINTS.

When the endorser of a cheque, or a drawer of a sight draft on an outside point, is not *known* to be perfectly good for the amount involved, a good endorser is indispensable. Never accept what purports to be a written identification or endorsement, especially of a hotel clerk or tavern-keeper. There is no particular charm about these cheques or drafts, and the bank's money is as likely to be lost in such business as in discounting weak paper. In these days of keen competition, the profits on this class of business have been reduced to so fine a point as barely to return a fair rate of interest for the time the bank is out of its money; there is all the more need therefore to see that such transactions are perfectly safe. A cheque say of $25 looks small enough, but turn it into a loss and it would absorb the commission on a great many good transactions. Points such as the above are not strictly speaking, within the discretion of a teller, as these items should be passed by the manager or other superior officer, but it is well for a teller to know and remember such points in case he should be called upon to act in an emergency, as tellers in the smaller country offices are often required to do.

DEPOSITS ON CURRENT ACCOUNT.

Deposit slips should be in the hand-writing of the depositor or his agent, so as to afford a voucher to the bank, and after being carefully checked are to be handed to the ledger-keeper to be entered in the deposit ledger, and in the customer's pass book.

Cheques on local banks other than the receiving bank should be marked "good." Where this is not done they should not be received as cash until initialed by the manager, or other officer appointed by him, and should be presented for acceptance as early as possible. Where payment is refused they must be charged to the customer's account at once with advice; nothing that is not cash should be held by a teller.

SAVINGS BANK DEPOSITS AND CHEQUES.

The printed rules and regulations with respect to savings bank accounts must be faithfully carried out; no deposit received, or savings bank receipt cashed, unless the pass book is produced, where that is the rule.

DEPOSIT RECEIPTS.

A deposit receipt is a document in the nature of a special agreement between the bank issuing it and its customer; it usually bears on its face the words "not transferable." By it the bank agrees to pay to the *depositor* (not the depositor or order) the amount specified with interest at a certain rate until further notice, under certain conditions as to the length of time the money remains on deposit, and also as to notice of withdrawal.

It is necessary, therefore, that great care should be taken by a teller in paying these receipts. He must also remember that the bank can refuse to pay the money over to any one except the depositor named in the receipt, or his legal representatives if deceased.

A careful record of the signatures of all depositors of this class must be kept in a convenient place for reference.

Cases will sometimes arise where a receipt is presented for payment through another bank. A guarantee of the endorsement by the presenting bank must in all cases be taken.

DEPOSITS FROM MINORS.

Deposits from a person under the age of 21, must not exceed the sum of $500, under section 84, Bank Act, 1890.

HOW CAN A TELLER ADVANCE THE INTERESTS OF HIS EMPLOYERS.

A teller comes in contact with the general public perhaps more than any other officer of the bank, and can do much by civility, and courteous treatment of all, to cement and draw closer the bonds that unite the bank and its customers. People do business with different banks for various reasons, but all expect, and are entitled to receive, courteous treatment at the hands of the bank officials.

CIRCULATION.

In the important matter of circulation a great deal rests with the teller. He actually pays out the notes : he should watch for and seize every opportunity for increasing his important part of a bank's business. By the exercise of tact and good judgment, he can educate the customers of the bank, both casual and regular, to co-operate with him to this end and can induce them to exchange other notes for those of their own banks in their safes, to take only their own bank notes to make payments either in town or country and as far as possible to keep other bank's notes out of, and their own bank's in, circulation.

Tellers should consider the best denominations of notes for circulation, and pay those denominations out whenever they can. "Fives" are best, as more people can afford to hold "fives" than "tens" or "twenties." Tens are the next best, and should only be paid out when specially asked for. It is an object too, to pay out whole, clean notes; people do not like to carry soiled or mutilated notes in their pockets. Notes of smaller denominations than "fives" should be paid out as sparingly as possible; a certain amount is necessary to make change, and in fact where good judgment is exercised, these payments act as an assistance in keeping up the bank's circulation, for it is obvious that if a customer cannot get a sufficient supply of small notes at his own bank he will exchange the bank bills somewhere else for the necessary small notes. Bank "fours" should never be paid out, but forwarded to the nearest redeeming centre as they accumulate, along with notes of other banks.

Farmers and others often come in for bills of larger denominations for mailing to centres such as Montreal and Toronto, where the bills are immediately sent in for redemption. Where they cannot be induced to purchase drafts, it will save express charges both ways to pay out notes of other banks.

DEPOSITS.

A teller can often obtain good deposits when dealing with farmers and others at the counter, by exercise of good judgment. He can mention the rate of interest his bank is paying, and when time will permit can point out the security they offer by way of safety, and the convenience of obtaining the money when needed, as against the post office system, at the same time taking care not to disparage his neighbours, either chartered or private institutions.

By keeping his eyes and ears open a teller can often obtain information, both inside of the office and out of it, of much interest and importance to the bank.

Points such as the following that may come under his notice should be called to the manager's attention:

"Kiting" by a customer with customers of another bank: cheques on another bank by customers of his employer's bank.

Outside the office he should be careful in his habits and discreet in his conversation. Anything affecting the standing or character of the customers of the bank that comes to his knowledge should be communicated in the proper quarter.

Finally by striving to increase the knowledge of his profession, and thereby adding to his efficiency and usefulness to his employers, by a careful study of all banking literature that comes in his way, a very important branch of which will be all circulars emanating from the general management of the bank to which he belongs, he can hope to fit himself for the higher duties of his profession.

A COUNTRY TELLER.

OVEREND, GURNEY & CO., LIMITED.

The last chapter in the history of the great banking house, the failure of which in 1866 shook the financial world, is given in the following account, taken from the *Bankers' Magazine*, London :

OVEREND, GURNEY & CO., LIMITED.

A general meeting of the members of Overend, Gurney & Co. (Limited) was held November 16th, at No. 8 Old Jewry, for the purpose of hearing from the liquidators how the "winding-up has been conducted and the property of the company disposed of."

Mr. F. Whinney, who presided, expressed his regret that the two gentlemen who were appointed liquidators at the beginning (Sir Robert Harding and Mr. W. Turquand) were too unwell to attend the present meeting. On the resignation of Sir Robert Harding in 1884 he (the speaker) succeeded him as liquidator. At that period nearly all the assets had been realized. He afterwards read the liquidators' report, which referred to the formation of the company in 1862, and its registration in July, 1865, with a capital of £5,000,000 in shares of £50. The business with all its assets and liabilities was handed over to the new company on August 1, 1865. The whole of the capital was allotted £15 a share being the call thereon, making the amount paid by the public £1,250,000, while there was allotted to the partners in Overend, Gurney & Co. £250,000. He afterwards referred to the large withdrawals of deposits in 1866, and to the circumstances which led to the winding up of the company, pointing out that its liabilities at the time of the suspension amounted to £18,727,915, including creditors unsecured £3,818,849, creditors holding security £6,018,835, and liabilities on bills rediscounted and under the guarantee of the company £8,266,048. With reference to creditors holding security, it was found that a large part of the securities held originally belonged to the old firm, and were not of a nature to be readily realized at their full value. The liabilities under bills discounted required peculiar care in dealing with them, owing to the state of depression and distress which prevailed at the time. The assets included not only the ordinary assets—cash, bills receivable, etc.—but a debt due by the old firm amounting to £2,970,168, being the balance at that date of the indebtedness of the old firm which the company had assumed, as security for which the liquidators acquired possession of the assets of the old firm, and also of the private estates of the partners. From the assets of the old firm the liquidators realized £688,561, and the private estates produced £909,870. The liquidation not only involved dealing with assets of the company at a time of exceptional difficulty, but also the realization of the assets of the old firm, many of which proved to be in a very involved condition; and further, of the realization of the private assets of the partners, which included a large amount of real estate that, in the then state of the money market, could not readily be disposed of. To provide funds for paying the creditors the liquidators had to make a call of £10 per share in September, 1866, a similar call in June, 1867, and a call of £5 a share in March, 1869. Having referred to the litigation owing to the validity of the calls being contested by certain of the shareholders, to the criminal indictment of the creditors, and their acquital, he stated that the liquidators were enabled ultimately to reduce the whole proofs against the company to £4,913,382. After the creditors were paid negotiations took place for selling the remaining assets, but they were found impracticable to carry out, and the realization proceeded. He then referred to the various returns which had been made to the shareholders between March, 1872, and December, 1891, amounting to a total of £7. 18*s.* 2*d.* per share. The progress of the liquidation had been much delayed by litigation involving large amounts which arose out of the very complicated position of affairs. In particular there was a very heavy lawsuit carried on in Spain against the Marquis de Compo, the litigation going on from 1866 to 1882, when the liquidators received £90,961, the claim being £137,391. There was a further claim against the Marquis de Compo for calls, which however, could not be legally enforced, the company not having been registered in Spain. The liquidators, however, held as collateral security for the debt due to the old firm certain shares of a Spanish railway in which this nobleman was largely interested. Eventually all disputes with him were compromised by his paying them £7,150 in December, 1888. Having referred to certain other special assets and the arrangements made in regard to them, Mr. Whinney stated that the total expenses of and incidental to the liquidation, including the remuneration of the liquidators, aggregated for the whole period, just over 3¼ per cent. on the receipts. Some small sums were recovered by way of dividend from failed estates up to April, 1891, and as soon as there appeared to be no chance of any further money being received the liquidators took steps to dissolve the Company. The Court would not permit the dissolution of a company to take place until the liquidators could certify that in their opinion all the assets had been collected. As soon as an affidavit could be made to this effect the Chancery Division directed that the usual statutory meeting (the present meeting) should be called. Three months after the registration of a return to the registrar that such meeting had been held the company was deemed to be dissolved. An analysis of the receipts and payments from the 10th of May, 1866, to the 16th ult., was afterwards read.

In answer to a question, the Chairman stated that no further return could be made to the shareholders, all the assets having been realized. Only those who remembered the period of the failure could understand the panic which it caused in the city, and which resulted in the suspension of the Bank Charter Act, at the instance of Mr. Gladstone, who was then Chancellor of the Exchequer.

Analysis of Receipts and Payments from the 10th May, 1866, to the 16th November, 1893.

RECEIPTS

	£	s.	d.
Cash in hand 10th May, 1866	£ 28,280	14	10
Amount realized from bills of exchange, sundry debtors and securities	1,982,280	4	10
Assets of the old firm taken over by the company as realized	688,561	14	4
Surplus from separate estates of the partners of the old firm	909,870	4	5
Interest on temporary investments made by the liquidators	31,880	15	9
Proceeds of calls of £25 per share	2,088,296	6	7
	£5,729,281	0	7

PAYMENTS.

Amount paid to creditors, including interest	£4,913,382	12	5
Amount returned to contributories	626,945	8	2
Law costs	52,007	12	2
Liquidators' remuneration	71,946	3	4
Committee of supervision	6,750	0	0
Other costs of realization, viz.:—Salaries paid to clerks of the company, £29,028. 19*s.* 6*d.*; liquidators' clerks, etc., services, £14,863; sundry expenses for rent, rates and taxes, office expenses, printing and stationery, stamps, postages, etc., £14,357. 5*s.*	58,249	4	6
	£5,729,281	0	7

Recent Legal Decisions.

(Communicated by Mr. Frederic Hague, B. C. L.)

PROVINCE OF ONTARIO.

PRIVY COUNCIL.

Tennant v. Union Bank of Canada.

Warehouse Receipts.

The above case which was noticed in our last issue has just been decided by the Privy Council. The most important effect of the judgment is that the warehousing clauses of the Bank Act which were impugned as *ultra vires* of the Dominion Parliament have been declared legal.

It was also contended that the Federal Legislature had no power to confer upon a bank any privilege as a lender which the Provincial laws did not recognise. Their Lordships on this point held that the provisions of the Bank Act with respect to warehouse receipts were *intra vires* and that the lending of money on the security of documents representing the property of goods was a proper banking transaction.

Further, they came to the conclusion that the Parliament of Canada had power to legislate in relation to banking transactions and that was sufficient to sustain the provisions of the Bank Act which had been impugned.

PROVINCE OF ONTARIO

JUDGMENT OF THE PRIVY COUNCIL.

Duggan v. The London & Canadian Loan Co.

Transfer of stock held in trust.

D. transferred to brokers as security for a loan, and for margins in stock speculations, one hundred and eighty shares of valuable stock, the transfer expressing on its face that the stock was assigned in trust The brokers afterwards pledged this and other stock with a bank as security for an advance, and from time to time transferred the loan to other banks and monetary institutions, the stock remaining in the original form. viz., that of being "in trust." The brokers finally arranged for a loan for a large amount from the London and Canadian Loan Company, to whom the stock was transferred by the then holders, by an assignment which was signed "B. manager in trust." D. tendered to the Loan Company the amount of his indebtedness to the brokers and demanded his stock, which the company refused to retransfer except on payment of their advance to the brokers.

The Supreme Court decided that the company was put upon enquiry by the form of the transfer as to the nature of the trust, and not having made the enquiry could only hold the stock subject to the payment by D. of his indebtedness to the brokers, and that upon such payment they must transfer the stock to D.

The Privy Council, however, reversed this decision, and held that the London and Canadian Loan Company was entitled to hold D's stocks as security for the full amount advanced by them to the brokers, and that the words "in trust" in the transfers meant that the various transferees were holding the shares in trust for their respective institutions.

PROVINCE OF QUEBEC.

JUDGMENT OF THE COURT OF QUEEN'S BENCH.

La Banque Nationale v. Ricard.

Liability of Wife—Quebec Law.

This appeal was from a judgment which condemned the appellant to pay the amount of a note made by her in June 1890.

The defence relied upon Article 1301, of the Civil Code, which says that a wife cannot bind herself either with or for her husband otherwise than as being common as to property. The Court below maintained the action, and gave judgment in favor of the bank, holding that the fact that the wife bound herself with her husband's authorization did not create a presumption that she bound herself for him; that consideration for the note was presumed, and it was for her to rebut this presumption. The Court below further laid down the principle that a wife cannot invoke Article 1301 against a third party, holder of a note for consideration, unless she proves that the holder was aware of the nullity of the obligation at the time he took the note.

The evidence established that the endorsers endorsed the note at the husband's request, for his accommodation, without consideration received by the wife. The Cashier of the bank did not recollect who presented the note for discount. It resulted from the proof that the note was signed by the wife for her husband, who received the proceeds of the discount and used the money for his business. The discount was obtained by the husband in the name of the endorsers.

The judgment of the Court of Appeal, reversing the above, was delivered by the Chief Justice, Sir Alexandre Lacoste, and was to the effect that the nullity under Article 1301, is a matter of public order, and may be invoked even against third parties in good faith. Third parties should be on their guard. If a wife could not invoke nullity as to third parties, it would be too easy to evade the provisions of Article 1301, and the nullity would be only relative.

PROVINCE OF NEW BRUNSWICK.

IN THE SUPREME COURT.

Landry v. the Bank of Nova Scotia.

In this case Landry drew and endorsed a bill of exchange and delivered it to the bank to discount, which they agreed to do if the bill was accepted. After acceptance the bank refused to give up either the proceeds or the bill, claiming the right to apply it to the payment of a debt Landry owed to them. It was contended that they had a right to do this, as they did not convert the money to their own use but placed it to the credit of Landry, that they had a lien upon the bill, and when they placed the money to his credit they discounted the bill, and did all they agreed to do.

The Court, however, held a different opinion, and in the course of the judgment gave the following very interesting definition of discounting a bill:

"The plaintiff did consent that the bank should discount it, and never consented to anything else, so that the whole case resolves itself into what is the meaning of discounting a bill.

"I do not think a better definition of the word 'discount' can be given than that given by Mr. Justice Story, in delivering the opinion of the Supreme Court of the United States in the case of Feckner v. Bank of the United States. That learned judge says: 'What is it to discount? Has it not the right to take the evidence of a debt which arises from a loan? If it is to discount must there not be some chose in action or written evidence of a debt payable at a future time, which is to be the subject of the discount? Nothing can be clearer than that by the language of the commercial world, and the settled practice of banks, a discount by a bank means *ex vi termini*, a deduction or drawback made upon its advance or loans of money, upon negotiable paper, or other evidence of debt, payable at a future day, which are transferred to the bank.'

"Thus showing that a discount means a loan of money, and a transfer of a negotiable instrument to the bank, payable at a future day, as security. And this was all the bank was authorized to do, or the plaintiff ever contemplated. What he meant was that the bank should loan him the face of the bill, less the discount, in money, and as security for it he would transfer to them the bill."

It will be seen that according to the above judgment a discount was held to mean an advance of money, an actual advance, upon the transfer of a negotiable instrument, payable at a future day as security, and that a bank cannot refuse, in the absence of a special agreement, to pay over the proceeds on the ground of an antecedent debt.

STATEMENT OF BANKS acting under Dominion Government charter for the month ending 30th September, 1893, with comparisons:

LIABILITIES.

	Sept. 1893.	Aug. 1893.	Sept. 1892.
Capital authorized	$ 75,458,685	$ 75,458,685	$ 75,958,685
Capital paid up	62,074,078	62,029,038	61,652,233
Reserve Fund	26,131,909	26,062,576	24,826,594
Notes in circulation	$ 35,128,926	$ 33,308,967	$ 34,927,615
Dominion and Provincial Government deposits	5,247,732	6,245,892	5,451.374
Public deposits on demand	61,245,902	61,437,993	65,753,885
Public deposits after notice	104,004,598	105,015,710	98,831,098
Bank loans or deposits from other banks secured	64,000	103,278	150,000
Bank loans or deposits from other banks unsecured	2,621,736	2,718,117	3,491,261
Due other banks in Canada in daily exchanges	120,767	132,048	126,002
Due other banks in foreign countries	221,989	169,273	139,343
Due other banks in Great Britain	5,312,794	5,538,573	4,373,087
Other liabilities	222,623	250,002	233,799
Total liabilities	$214,191,254	$214,919,947	$ 213,477,549

ASSETS.

	Sept. 1893.	Aug. 1893.	Sept. 1892.
Specie	$ 7,316,292	$ 7,706,937	$ 6,770,649
Dominion Notes	12,898,359	12,749,809	11,903,854
Deposits to secure note circulation	1,818,448	1,818,448	1,761,259
Notes and cheques of other Banks	6,939,379	6,519,972	7,899,713
Loans to other banks secured	38,385	83,385	150,000
Deposits made with other banks.	3,422,803	3,228,902	4,457,187
Due from other banks in foreign countries	13,451,882	13,562,629	24,211,355
Due from other banks in Great Britain	4,243,676	3,364,470	1,261,908
Dominion Government debentures or stock	3,188,572	3,188,572	3,328,421
Public Municipal and Railway securities	15,562,719	15,378,187	16,496,625
Call Loans on bonds and stocks.	14,960,190	14,398,606	19,828,270

	Sept. 1893.	Aug. 1893.	Sept. 1892.
Loans to Dominion and Provincial Governments	1,335,120	1,429,480	1,[illegible]
Current loans and discounts	204,654,480	205,956,200	[illegible],167,125
Due from other banks in Canada in daily exchanges	129,472	123,270	[illegible]
Overdue debts	2,052,723	2,064,900	2,[illegible]
Real estate	909,841	912,783	1,123,[illegible]
Mortgages on real estate sold	632,111	600,365	[illegible]
Bank premises	4,977,733	4,914,737	4,[illegible]
Other assets	1,465,072	1,901,035	1,514,723
Total assets	$ 300,918,049	$ 300,893,015	$ [illegible]

Average amount of specie held during the month	7,309,449	6,956,448	6,[illegible]
Average Dominion notes held during the month	12,953,910	11,744,457	12,073,627
Loans to directors or their firms.	7,762,892	7,978,632	7,034,[illegible]
Greatest amount of notes in circulation during month	36,112,480	34,750,617	35,446,[illegible]

Statement of Banks acting under Dominion Government charter for the month ending 31st October, 1893, with comparisons:

LIABILITIES.

	Oct. 1893.	Sept. 1893.	Oct. 1892.
Capital authorized	$ 75,458,685	$ 75,458,685	$ 75,[illegible]
Capital paid up	62,081,994	62,074,078	61,[illegible]
Reserve Fund	26,435,348	26,131,999	24,[illegible]
Notes in circulation	$ 33,906,941	$ 35,128,923	$ [illegible]
Dominion and Provincial Government deposits	4,883,652	5,247,732	6,518,196
Public deposits on demand	62,524,509	61,245,992	63,427,727
Public deposits after notice	103,557,733	104,004,368	99,934,970
Bank loans or deposits from other banks secured	48,000	64,000	150,000
Bank loans or deposits from other banks unsecured	2,801,931	2,621,736	3,102,[illegible]
Due other banks in Canada in daily exchanges	159,160	129,767	207,910

	Oct. 1893.	Sept. 1893.	Oct. 1892
Due other banks in foreign countries	179,695	221,989	140,977
Due other banks in Great Britain	4,966,698	5.312,794	4,321,180
Other liabilities	228,185	222,623	209,394
Total liabilities	$216,267,661	$214,191,254	$219,701,774

ASSETS.

Specie	$ 7,279,292	$ 7,316,292	$ 6,708,841
Dominion Notes	13,309,643	12.898,359	11,813,254
Deposits to secure note circulation	1,818,571	1,818,448	1,761,259
Notes and cheques of other banks	7,231,951	6,939,379	8,954,339
Loans to other banks secured	20,385	38,385	150,000
Deposits made with other banks	3,584,380	3,422,803	3,667,835
Due from other banks in foreign countries	14,839,370	13,451,882	22,792,466
Due from other banks in Great Britain	3,918,869	4,243,676	1,221,909
Dominion Government debentures or stock	3,188,572	3,188,572	3,328,496
Public Municipal and Railway securities	15,446,103	15,562,719	16,661,570
Call Loans on bonds and stocks.	14,681,644	14,960,190	20,392,077
Loans to Dominion and Provincial Governments	1,584,010	1,335,120	2,372,527
Current loans and discounts	204,854,797	204,654,480	194,123,365
Due from other bank in Canada in daily exchanges	133,139	129,472	286,952
Overdue debts	2,960,035	2,952,723	2,452,155
Real estate	888,010	909,841	1,097,134
Mortgages and real estate sold	654,259	652,111	846,757
Bank pcemises	4,999,851	4,977,733	4,643,095
Other assets	1,864,794	1,465,672	1,643,493
Total assets	$ 303,357,881	$300,918,049	$ 304,917,753

Average amount of specie held during the month	7,274,012	7,369,449	6,671,435
Average Dominion notes held during thhe month	12,960,948	12,953,910	11,641,280
Loans to directors or their firms	7,784,934	7,762,892	7,088,150
Greatest amount of notes in circulation during month	37,762,590	36,112,480	39,024,285

STATEMENT OF BANKS acting under Dominion Government charter for the month ending 30th November, 1893, with comparisons:

LIABILITIES.

	Nov. 1893.	Oct. 1893.	Nov. 1892.
Capital authorized............	$ 75,458,685	$ 75,458,685	$ 75,958,685
Capital paid up............	62,090,355	62,081,904	61,906,378
Reserve Fund............	26,213,861	26,435,348	24,938,252
Notes in circulation............	35,120,561	$ 36,906,941	$ 37,124,505
Dominion and Provincial Government deposits............	5,702,992	4,893,652	7,394,413
Public deposits on demand	62,926,785	62,524,509	68,301,056
Public deposits after notice.....	104,414,955	103,557,733	101,240,061
Bank loans or deposits from other Banks secured..........	....	48,000	150,000
Bank loans or deposits from other banks unsecured.......	2,947,491	2,801,931	2,629.757
Due other banks in Canada in daily exchanges..............	208,156	150,169	242,388
Due other banks in foreign countries	131,778	179,695	114,543
Due other banks in Great Britain	4,419,033	4,960,098	3,805,371
Other liabilities...............	779,634	228,185	707,748
Total liabilities..........	$216,771,481	$ 216,267,661	$221,880,800

ASSETS.

	Nov. 1893.	Oct. 1893.	Nov. 1892.
Specie..........................	7,589,418	$ 7,270,292	$ 6,257,955
Dominion Notes...........	13,041,516	13,309,643	11,493,958
Deposits to secure note circulation	1,818,571	1,818,571	1,761.229
Notes and cheques of other banks	7,047,402	7,231,951	8,003,440
Loans to other banks secured..	5,000	20,385	150,000
Deposits made with other banks	3,673,219	3,584,380	3,500,592
Due from other banks in foreign countries......................	16,212,571	14,839,370	23,272,646
Due from other banks in Great Britain	4,827,660	3,918,809	1,542,965
Dominion Government debentures or stock................	3,191,383	3,188,572	3,333,371
Public Municipal and Railway securities.....................	16,430,315	15,446,103	16,901,242
Call Loans on bonds and stocks.	14,465,113	14,681,644	20,015,799
Loans to Dominion and Provincial Governments....	1,730,685	1,584,010	2,381,376

	Nov. 1893.	Oct. 1893.	Nov. 1892.
Current loans and discounts....	201,996,246	204,854,797	197,105,799
Due from other banks in Canada in daily exchanges............	118,925	133,139	222,056
Overdue debts.................	3,099,648	2,960,035	2,374,904
Real estate......................	826,043	888,010	1,012,902
Mortgages on real estate sold..	649,844	654,259	810,929
Bank premises.................	5,123,699	4,999,851	4,638,235
Other assets....................	1,569,404	1,864,794	1,671,830
Total assets...............	303,455,870	$ 303,357,881	$ 306,630,754
Average amount of specie held during the month............	7,298,948	7,274,012	6,277,119
Average Dominion notes held during the month............	12,839,384	12,960,948	11,261,002
Loans to directors or their firms	....	7,784,934	6,894,747
Greatest amount of notes in circulation during month........	37,834,627	38,762,590	39,318,218

Continuation of MONTHLY TOTALS of BANK CLEARINGS for 1892-93, at the cities of Montreal, Toronto, Hamilton and Halifax, as reported to the *Journal.*

—	MONTREAL.		TORONTO.		HAMILTON.		HALIFAX.	
	1892.	1893.	1892.	1893.	1892.	1893.	1892.	1893.
September...	$ 50,240,258	$ 45,767,069	$ 25,036,156	$ 24,505,010	$ 2,922,972	$ 3,091,370	$ 4,351,105	$ 4,993,555
October.......	57,563,274	47,266,474	29,704,003	25,264,232	3,545,843	3,227,927	5,049,284	5,489,398
November..	57,738,128	47,291,960	30,998,827	25,997,046	3,478,297	3,150,008	4,869,873	5,158,297
Previously Reported...	371,173,180	383,304,565	208,668,238	208,113,886	24,629,718	25,207,861	40,313,369	40,275,768
	$536,714,840	$523,630,068	*$294,407,224	*$283,880,174	$ 34,576,830	$ 34,677,166	$ 54,583,631	$ 55,917,018

*NOTE.—These totals do not include the clearings of the Bank of Toronto.

A Clearing House for the City of Winnipeg began operations on Monday, the 4th December, all of the ten banks of the city being represented. The first clearings amounted to $183,331, and the balances to $38,146.

The Committee will also gladly receive any suggestions respecting the scope of its articles, the subjects which it might take up, the historical and statistical information for which it might provide a permanent record in its columns, etc. They would like to receive for the latter purpose copies of any suitable documents of an historical character which any of the Associates may have access to. In their opinion the JOURNAL may be made of great permanent value by gathering together and recording in its pages all the facts connected with the past history of banking in Canada, which have now to be sought through scattered records, many of which are not generally accessible.

The Committee hope to be able in the early future to pay for accepted articles of important character, if the funds at their disposal will permit of this, and as one of the means to this end they ask the assistance of the Associates in the matter of obtaining advertisements suited to the character of the JOURNAL. They believe the receipts from that source might be of great value in providing for the extension and improvement of the JOURNAL. The Committee will arrange for the publishers or other business agents to canvass for the advertisements; they merely ask from the Associates suggestions as to the quarters where they are likely to be obtained, and such influence as they can properly exert.

All communications respecting the JOURNAL should be addressed to the Chairman of the Editing Committee, in care of the Canadian Bank of Commerce, Toronto.

The Editing Committee desire to refer to the above circular which on their appointment they issued to the Associates, as indicating the general lines on which they propose to carry on the JOURNAL. To this there is, however, something to add.

It would be manifestly impossible for the "Corresponding Members" of the Committee to pass judgment on all the articles and other matter that are to find a place in our pages. The Central Committee must therefore accept responsibility for all that goes into the JOURNAL.

They feel, however, that they should not allow their own private opinions to intrude themselves into their work as a Committee, and that they should not consider what views are held by a writer, if his article is worthy of admission. They will do their best to keep out errors of fact and of law, but in matters of opinion they think the pages of the JOURNAL should be open to all who can so write as to interest and edify its readers.

It follows from this that while the JOURNAL is the official organ of the Canadian Bankers' Association, and is controlled by the Council for the time being, neither the Association nor the Council should be regarded as responsible for the opinions expressed.

In inviting the Associates to address questions and communications to them, the Committee are strongly of opinion that this part of the work might become one of the most interesting features of the JOURNAL, and they urge on its readers, the younger as well as those who are older, to make full use of its columns. Nice questions of law or practice that arise in actual business are always more interesting, and their elucidation more helpful, than the study of abstract theories.

The Committee, in addition, invite discussion and criticism of any matter appearing in the JOURNAL. So far as space permits, they will afford every opportunity for the discussion of all questions that are of interest to those for whom the JOURNAL is intended.

J. H. PLUMMER, *Chairman*.
J. HENDERSON,
E. HAY.

EDITORIAL NOTES.

WE are pleased to be able to give our readers a monograph on an interesting experiment in banking in Canada from the pen of Mr. R. M. Breckenridge. We understand that it is part of a general study, in which the author has for some time been engaged, of the history of the legislation respecting banking in Canada and its development, the results of which will appear early in the coming autumn.

WE make no apology for the somewhat enlarged space devoted to legal matter this quarter. There have been a number of cases of great importance to bankers in which judgments have been delivered, and the readers of the JOURNAL will no doubt be glad to have full reports.

FREE BANKING IN CANADA.

I.

In the session of 1850 of the Legislative Assembly of Canada, the Honorable William Hamilton Merritt introduced a Bill "to establish freedom of banking in this Province, and for other purposes relative to Banks and Banking."

The group of large chartered banks which had hitherto carried on the banking business of the Province seemed to the general public to be insufficiently equipped with capital. Whether just or not, complaints of a lack of banking facilities were frequent, and there was a widespread demand, as often happens in comparatively undeveloped countries, for an increase of bank capital, for the extension of banking facilities, and particularly for the incorporation of small banks in the lesser towns where local opportunities for accommodation were much desired.

Important safeguards in the then existing banking system were the large capital stock of the banks, the small number doing business, the broad fields from which they drew their business, and the prudent and cautious manner in which that business was as a whole conducted. It was thought that in maintaining the system it would be very difficult for the Legislature to refuse to incorporate small banks for the small towns. But to allow such institutions the important privileges of the chartered banks, especially that of circulating notes which would be only a general charge against assets, seemed too great a risk. If small banks were to be established it was necessary to devise some other plan for issuing a sound currency. There was no bank of such predominant position that to it alone, as to the Bank of England, the function of issue could be entrusted, after the complete failure of Lord Sydenham's proposals of 1841 (largely, to be sure, through the influence of the chartered banks); there was no probability of establishing a Government Bank of Issue, and there was on the part of the Government itself such pressing financial need that any step towards relief would be welcome.

The Free Banking Laws of the State of New York had been in force since 1838. The commercial relations between the Upper Province and New York had long been close and important. When the economic conditions of the two countries were compared, New York, no doubt, appeared to marked advantage. New York's legislation, therefore, was not unlikely to be regarded by Canadians as recommended by the success and prosperity of the land in which it was in force. Nor was its influence necessarily the weaker because the judgment as to results was not entirely logical. So in spite of the early record of the system, in spite of the failure of twenty-nine banks in the first five years of the law's operation, and the fact that the special deposits of securities realized but 74 per cent. on the defaulted notes, Mr. Merritt's Bill was modelled after the Free Banking Laws of New York. Its objects are sufficiently described as (*a*) to provide for the establishment of small banks, (*b*) properly to secure their circulation, (*c*) to relieve, in part at least, the financial difficulties of the Government by widening the market for its securities, and at the same time so stimulating the demand as to raise their value.

II.

The measure as passed (13 and 14 Vic., cap. 21) first repealed the old laws of Lower Canada (Ord. L. C. 2 Vic. (3), cap. 57), "to regulate private banking and the circulation of the notes of private bankers," and of Upper Canada (7 Wm. IV., cap. 13), "to protect the public against injury from private banks." Henceforth it became lawful only for chartered banks or other corporations or persons authorized under the new Act to issue circulating notes, which were to be of the value of 5 shillings or over. Notes under 5 shillings were prohibited. So also circulation by unauthorized persons was forbidden on penalty of fines of £100.

The significant provision of the Act is the extension of the privilege of note issue "to other persons or corporations thereunto authorized as provided for herein." Individuals or general partners might establish banks, or joint stock companies might be formed to carry on the business, but in any case the bank was to have an office in but one place, and in but one city, town or village. Of the companies was required a minimum capital stock of

£25,000, divided into shares of £10 or more.* Articles of agreement in notarial form, showing the name, place of business, capital stock, number of shares, names and residences of the shareholders and the time when the company should begin and end, were the legal basis for organization. After the articles were duly filed in stipulated courts of record, the companies became incorporated, and the liabilities of the shareholders limited to double the amount of their subscribed stock. The total liabilities of a Joint Stock Bank were not allowed to exceed three times its capital stock. Every institution working under the Act was required to keep *bonâ fide* an office of discount and deposit, at all times to keep exposed in its place of business a list of its partners or shareholders, and to make detailed semi-annual returns to the Inspector General, as well as to submit to official inspection at the discretion of the Government.

In order to issue notes the banks thus formed were each obliged to deposit with the Receiver-General Provincial securities for not less than £25,000 currency ($100,000) par value in pledge for the redemption of their notes. Interest on the securities was to be paid to the depositor as it accrued, and against the bonds the Receiver-General was authorized to deliver to the bank an equal amount of registered notes, printed from plates furnished by the bank upon paper selected by the Receiver-General. When signed by the proper officer these notes were to become notes of the bank. In every case they were to be payable in specie on demand at the bank's place of business. They were to be marked "Secured by Provincial securities deposited with the Receiver-General," and were to be receivable for all duties and sums due to the Provincial Government, so long as the issuing bank redeemed its notes. These registered notes were exempt from the rate of 1 per cent. per annum levied upon the average monthly circulation of the chartered banks. The third or fiscal object of the Act is especially plain in that clause which permits the chartered banks to surrender their right of circulation against assets, and to secure from the Receiver-General registered notes in return for deposits of securities. Any of the corporations within the purview of the Act might deposit additional securities from time to time, and withdraw sums of not less than £5,000, provided that like amounts of the notes were returned to the Receiver-General and the required deposit of £25,000 maintained.

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* NOTE.—The denominations of pounds, shillings and pence used in this article are those of the so-called "Halifax Currency," the usual money of account in the British North American Colonies down to the latter half of the fifties, when the change was made to dollars, cents and mills. A pound currency was worth approximately $4 U. S. coin, and a pound stg. was valued at £1 4s. 4d. Halifax currency.

If, in case of suspension of specie payment and protest of the notes, the paper was not paid with interest at 6 per cent. within ten days after the requisition issued by the Inspector-General of the Province upon receipt of the protested notes, that officer was commanded to close the institution and wind up its affairs, should it have no valid excuse to offer for the default. The process of liquidation was to be completed by a Receiver appointed by the Receiver-General. His duty was *first* to pay off the notes from the proceeds of the securities on deposit. The remaining proceeds were then to be applied with the other assets to settlement of the remaining debts of the bank. But if insufficient funds were realized from the sale of the securities, the general assets of the bank were to be applied to the payment of the notes before they were used for the other claims. This is the first appearance in Canadian legislation of that principle of making bank notes a preferred claim, which, 30 years later, was embodied in the Bank Act of the Dominion.

III.

The Act to establish Freedom of Banking could hardly be called perfect. Time proved it ill-calculated to promote the ends of the Legislature which passed it. The amendments passed in the following years show that certain of its defects were recognized. From the very first it suffered severe criticism on the part of the English Lords of the Treasury. The most serious defect of the Act, in their opinion, was the lack of guarantee for the immediate convertibility of the notes on demand. Against the fancied completeness of Government obligations as "security," they cite the fall of Exchequer bills to 35 shillings discount in 1847. Anxious as always that the financial and monetary systems of the colonies should be sound, they warn the

Canadian Government against the reverses following too great an extension of the facilities which may be afforded by the use of paper money. The measure might cause Canadian securities to rise temporarily, but they would also be exposed to the risk of depreciation should it become necessary to throw them into the market in order to provide for the payment of bank notes. In the opinion of the Lords of the Treasury, the great protection against over issue was the constant maintenance of a proportionate reserve of specie against the outstanding circulation, with Government supervision and frequent publication of bank statements. They recommended the requirement of a specie reserve of one-third of the notes issued and of monthly statements.

The following year, accordingly, an amendment was passed requiring monthly statements from the free banks. It is plain that half yearly returns provided a basis for intelligent criticism to neither the Government nor the public. The period of one year in which to retire their circulation and begin operations under the new plan accorded by the Act of 1850 to banks or companies whose authority to issue notes had been withdrawn by the Act, was increased to five years, provided that in each year of the next four they should retire one-fourth of the average circulation during 1850, of notes not secured by a deposit of bonds. The requirement of a specie reserve of one-third was not adopted.

In the same session, the Assembly passed another Act with a view "to encourage the chartered banks to adopt as far as conveniently practicable, the principles of the General Banking Act in regard to the securing of the redemption of their bank notes." The real purpose, of course, was a further sale of bonds. The means were (*a*) a remission during the next three years of one-half the tax on circulation to those banks willing forthwith to restrict their circulation to the highest amount shown in the last statement, and at the end of three years to three-fourths of the average for 1849 and 1850; (*b*) at the end of the three years, entire exemption from the tax to banks with note circulation thus restricted; (*c*) permission to such banks to issue in excess of the restricted circulation further notes to the amount they should hold of gold or silver coin or bullion or debentures of any kind issued by the Receiver-General, the value of such securities to be reckoned at par; (*d*) exemption of these banks from the requirement to deposit the debentures and to secure registered notes. But if failures occurred the proceeds of bonds thus held by the banks were to be applied exclusively to the redemption of outstanding notes.

The Act 16 Vic., cap. clxii. (session of 1853) was an attempt further "to encourage the issue by the Chartered Banks of notes secured" in this manner. They were permitted to issue notes in excess of the limit laid down by their charters, *i. e.*, the amount of their paid up capital stock, to the amount of the sums held by them in specie or debentures receivable in deposit by the Receiver-General, although the deposit of the securities was not required. The 1 per cent. tax upon circulation, also, was to be calculated only upon the sum by which the average during any period of the outstanding notes of a bank should exceed the average of the securities and specie which the bank had on hand.

These measures, though the original Act was copied from the New York law, seem strongly to reflect the influence upon Canadian legislators of Sir Robert Peel's Bank Act of 1844, and the Statutes of 1845, which dealt with Scotch and Irish banks. The plan of restricting that part of the circulation "unprotected" by special security, the extension to the banks of the privilege of indefinitely increasing circulation beyond that limit, provided equivalent values in specie or debentures were held, and the repeated efforts to provide as much as possible of the fiduciary currency with bond security, might not perhaps be conclusive evidence of this influence. The regulations might have been adopted after independent consideration, or to reach other ultimate ends than those sought by Lord Overstone, Sir Robert Peel and their followers. In Canada, too, the financial purpose, though the laws failed to afford the anticipated help, was highly influential.

But the influence of an effort to follow English example is strongly supported by the authority of Sir Francis Hincks in the Assembly at that time. Ten years before he had supported against his own party the proposals of Lord Sydenham for improving the Canadian currency by means similar to those suggested by Lord Overstone. As late as 1870 his views on the question were unchanged. The inference is confirmed by the fact that in 1851 the Colonial Office itself advised the Canadians to adopt, as far as possible, the principles of Peel's Bank Act in their regulation of banking and currency. The authority of the officials in Downing Street and the usual promptness with which the colony carried out their recommendations, leave no doubt of the marked and even decisive effect of this factor in the "freedom of banking" legislation of 1852 to 1856. Following is the significant excerpt from the letter of C. E. Trevelyan for the Lords of the Treasury, enclosed in the despatch of Earl Grey, H. M. Principal Secretary of State for the Colonies, dated 24th June, 1851: "Although the establishment of "a bank in connection with the Government appears to have "been impracticable or inexpedient, it does not follow that some "modification of the scheme adopted in the United Kingdom "with respect to the circulation, the leading feature of which is "a limitation to the amount of notes issued on the credit of "securities, and the maintenance of a deposit of securities equal "to all issues exceeding that amount, might not still be attain-"able in Canada."

The possible dangers or faults of the original Act, pointed out for the Lords of the Treasury in the same letter, and noted by us on page 158, were not, on the whole, the source of much trouble in the working of the system. To discuss the other defects in the scheme, or what might be termed the errors in principle, would be to raise the questions of bond-based or specially secured bank circulation *versus* circulation as a general charge against assets, and of the system of many small local banks *versus* that of fewer large banks with branches. But for Canada, at least, these and the minor controversies they involve have been decided. What really prevented a thorough trial of so-called "Free Banking," and a complete experience of its results, whether for good or evil, was the inferior opportunity which it offered for banking profits. Very few banks began operations under the law; the system of chartered banks remained predominant and characteristic. The fate of the free banks will show how unequal was the struggle with these competitors. Nor is the reason far to seek.

The bonds receivable on deposit as note security bore interest at 6 per cent. Since they could be bought at less than par, they netted as an investment a somewhat higher rate. The minimum deposit for a bank beginning business was £25,000 currency, or $100,000. The small banks, however, which it was expected to establish under this Act, would seldom need a capital greater than £25,000, and, even if they needed it, a greater sum would be hard to get in the localities whence the demand for such institutions came. But before a bank could begin business this hardly-gained capital was to be removed from the locality and locked up in debentures. In return for these, the free bank was to receive an equivalent amount in registered circulating notes. A chartered bank, on the other hand, acquired by the privilege of circulation a power of loaning to the community, in addition to its capital stock, the amount of its authorized note issue. To meet the needs of its district the free bank in our example was to derive from capital and circulation combined a fund of only £25,000, *i. e.*, the amount of its note issue, or rather so much of it as could be kept in circulation, a proportion which rarely reached 90 per cent., and in some cases did not exceed 50 per cent. In brief, £25,000 of the capital of the district was to be taken bodily away and replaced by notes, of which only a part were available for loaning purposes. If carried out, the scheme to provide banking facilities for poor communities was destined actually to diminish the loanable funds in the districts for whose benefit it was devised.

Intimately connected with this fault, is the fatal defect of the Act—the slight inducement to investment afforded by its provisions. With its capital locked up in debentures there remained to the free bank, besides its deposits, which need not be considered here, the £25,000 of registered notes for accommodation of the local public. Of these, we have seen that only 50 to 90 per cent. constituted the actual loaning fund which could be turned over several times a year in banking operations, and from which could be derived the additional and incidental profits that banks, in spite of usury laws and other hindrances, will contrive to secure whenever the markets permit. From an equal sum invested in one of the chartered banks could be gained the banking profit on the capital itself, and the circulation issued upon the credit of that capital.

The advantage, in favor of the chartered bank, apart from the important consideration of its control of much larger means—none of its capital being locked up in debentures—was approximately the difference between the banking profit on the amount of its capital and the interest on an equal amount invested in Government securities. In other words the chartered bank would get the greater return from both circulation and capital; the free bank from circulation alone, its capital being invested, by law, at a lower rate of interest.

This higher gain to be had from employing their funds in their own business, also caused the chartered banks, as a rule, to reject the encouragement offered by the Legislature so to invest those funds in debentures as to make them practically a permanent loan to the Government. And in a country where the best bank profits were moderate, other investors were slow and unwilling to engage in a form of banking in which the chances for gain were still more restricted.

IV.

In November, 1854, there came before the Legislature the question of the renewal of bank charters, and the increase of their capital stock. In this connection Sir Francis Hincks admitted that the public had not shown any great disposition to take advantage of the free banking law. He said further:

"First. He thought that the public wanted a large increase of banking capital.

"Second. There was not money in Canada to furnish that capital.

"Third. The country must get this capital from foreigners, and the people of Canada would have to consult foreigners as to the manner in which it should be done.

"Fourth. The country knew that no English capitalist was disposed to furnish money to Canada through the agency of private banks. But English capitalists would recognize the large chartered banks, because these banks had been known for many years as a safe means of investing capital. * * Capitalists had confidence in them, but they would not have confidence in private banks established under a new banking system. If the people wanted to increase their banking capital they must do so through the existing banks."

To the Bank of British North America, however, the new law had permitted a valuable privilege, denied it by its Royal Charter, but enjoyed by the other banks under their Colonial Charters, usually to the extent of one-fifth of their entire note issue. This was the right to issue notes of denominations under $4. December 31st, 1854, the British Bank held £162,125 of bonds, and had outstanding against them £153,750 of one and two dollar notes. Until the banks surrendered their small note circulation in 1870 it appears to have continued its issues under this Act. Three other banks were doing business at the close of 1854 under the Act. Their statements are as follows:

	Molsons' Bank, Montreal.	Niagara Dist. Bank, St. Catharines.	Zimmerman Bank, Clifton	Total.
Capital in Provincial Debentures deposited with the Receiver-General..	£50,000	£50,000	£25,000	£281,125
Amount of registered notes outstanding and delivered to the banks by the Inspector-General..	50,000	49,999	24,500	278,249
Circulation	37,861	46,169	22,000	
Liabilities, including circulation	85,446	67,615	29,321	
Assets	136,840	101,642	49,931	

The next year operations reach the highest figure in the whole history of the Act, though only four banks appear in the statement.

	Bank of B. N. America.	Molsons' Bank.	Niagara Dist. Bank.	Zimmerman Bank.	Total.
Capital in Provincial Debentures deposited with the Receiver-General ..	£170,708	£50,000	£50,000	£40,000	£310,708
Registered notes outstanding	169,750	49,794	49,999	40,000	309,543
Circulation		24,332	69,050[*]	40,000	
Liabilities		24,332	77,761	48,817	
Assets		79,100	133,285	54,585	

In 1855 the Legislature granted charters to the Molsons' Bank, the Zimmerman Bank and the Bank of the Niagara

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[*] Also issues under charter.

District, and required as one of the conditions of the extended privileges, the increase of the capital stock of each to £250,000, of which, in each instance, at least £100,000 was to be subscribed before the bank began its new corporate existence.

After 1855 there was a steady falling off in the amount of securities deposited, notes outstanding against them, and notes in circulation. In the statement of 1856 the Provincial Bank and the Bank of the County of Elgin first appear, the former with a deposit of securities for $120,000 and notes for the same amount, the latter with securities for $100,000 and notes for $79,950. The newly chartered banks appear to have been retiring their secured notes. The total bond deposits are $1,114,633.33 (£278,658) and notes outstanding $1,080,684 (£270,171). In 1857 the figures have fallen to $770,319.33 and $769,730. In 1858 they are $730,503.33, and $729,531, and the Molsons' and the Zimmerman Banks disappear from the list. In 1859 the bond deposits are $730,503.33, and notes outstanding, $699,531; in 1860, $562,603.33, and $495,631, of which the British Bank stands for $440,933.33 and $373,964, about $100,000 less than in the statements for 1857 to 1859.

V.

The failure of the system had received the attention of the Legislative Assembly at least three years before. On March 6th, 1857, the Hon. Wm. Cayley introduced a Bill to discontinue the incorporation of joint stock banks and the issue of registered notes. The merchants and moneyed men of the Province were generally in favor of the older chartered system, he said, and even in 1855, the Assembly had decided to perpetuate it. Its decided superiority had been shown by the action of the three banks which had retired their registered notes and continued their business under charters. Wm. Hamilton Merritt was still in the Assembly, and in reaffirming his responsibility for the first Free Banking Act, he declared with a lofty disdain of the facts, that it was the "best system adopted in any country from the beginning of the world to the present time." "The sole cause of its being inoperative in Canada," he contended, "was that it had not been honestly carried out." Mr. Cayley's

Bill did not come up for the third reading, for what reason the debates give no evidence.

In 1859, the then Minister of Finance, the Honorable A. T. Galt, in moving for a select committee on banking and currency, referred to the tendency of the free banks to secure charters, and to the unimportant and limited character of the operations then carried on under the Act. Of the "Resolutions for a Bank of Issue or Treasury Department," which the Minister in 1860 based upon the investigations of this committee, the third provided for the repeal of the free banking law, with the permission to banks working under it to come under the general Act for all banks outlined in the other resolutions. But in these, as a whole, were proposed such revolutionary changes in the currency and banking system of the country that action upon them was indefinitely postponed.

By December 1861, the Niagara District Bank had nearly withdrawn its Provincial securities, and the Provincial and County of Elgin Banks had only $2,000 and $20,440 of bonds, respectively, on deposit. At the end of 1862, the British Bank held securities for $436,933.33; its registered notes amounted to $336,964, of which $130,505 were in circulation. But the Provincial Bank had deposits and circulation of only $9,729, and the Bank of the County of Elgin had disappeared both from the Government statement and the world of business. To all intents and purposes, free banking in Canada had run its course.

Six banks in all had taken advantage of the Act. To one of these, the Bank of British North America, the privileges acquired under the Act were doubtless of considerable value. It was enabled to issue notes of denominations originally forbidden by its Royal Charter, without much other inconvenience than a change in one of its accounts. For even before 1850, it had been the custom of the British Bank to hold among its more liquid assets a much larger amount of Provincial debentures than even its small-note circulation amounted to in after years. Two of the companies working solely under the free banking laws wearily struggled for three years (1856 to 1858) against the competition and prestige of the chartered banks, and then began to retire their issues and wind up their business. The three banks earliest started under the Act soon applied for charters and secured them.

Of these the Zimmerman Bank had the shortest life. Founded in 1854 by a person of means, it was to an unusual degree the creature of one man. It seems, however, to have been well and honorably managed by the capitalist whose name it bore. In 1858 the charter of 1855 was amended by changing the name of the institution to the "Bank of Clifton," and extending the time for the subscription and payment in full of its capital stock. But in spite of these favors and of the extraordinary privilege "that the bank notes and bills in circulation shall be of whatsoever value the Directors shall think fit to issue the same, but none shall be under the value of 5 shillings ($1)," the bank was soon wound up after the death of Mr. Zimmerman. In 1863 its charter was repealed.

The Bank of the Niagara District, with its head office in St. Catharines, Canada West, found difficulty from the first in securing the capital required by its charter. The Act of 1855 required subscription and payment in full of the million dollars in five years. In 1857 an indulgent Legislature extended the term to 1861; in 1861 to 1866; in 1863 the capital stock requirement was reduced to $400,000, and the time for paying it up extended to 1865. The bank had a fairly successful career until it suffered large losses through the failures of Jay Cooke & Co., and others, in 1873. Hardly able longer to carry on an independent business, it was amalgamated early in 1875 with the Imperial Bank of Canada. The shares of the Niagara District Bank were exchanged for those of the Imperial, according to the relative value of the two stocks, and thereafter the former bank disappeared as a separate institution.

Out of the five originally "free banks," but one, the Molsons' Bank of Montreal, has survived, and is now an institution of standing and importance.

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School of Political Science, Columbia College, Feb. 21st, 1894.

THE CARD MONEY OF CANADA.

(Reprinted from the Transactions of the Literary and Historical Society, Quebec, 1874-75.)

"The currency of the world includes many kinds of money. Gold, silver, copper, iron, in coins or by weight, stamped leather, stamped paper, wooden tallies, shells of various kinds, furs, pieces of silk, strips of cotton cloth, of a fixed size and quality, are and have been all in use amongst mankind as forms of currency, as convenient and negotiable forms or representatives of property. Many of these kinds of money are simultaneously in use in the same country. Gold, silver, copper, stamped paper coexist in different forms of money in the currency of Europe and America; gold, silver, copper and shells in India; silver, copper and pieces of silk in China; copper, cotton strips, shells and the silver dollar in various parts of Africa. Sparta had a currency of iron, Carthage of stamped leather. There is ample variety out of which money is made; metals, shells, cloth, leather, paper." This is the statement of a recent writer on the subject of currency. With such an array, one may well enquire what is money?

Paper money may be said to be of two kinds, viz.:—Paper money, and money represented by paper. The former consists of notes upon which government confer the property of money, and which are not necessarily redeemable in specie; while the latter may consist of notes issued by the state or by corporations, and which are redeemable in specie. The former is a mere creation by political power; the last grows out of engagements or commercial operations. The one, being declared legal tender, must be taken in satisfaction of a debt; the other, unless constituted legal tender by the state, may be taken or refused at the option of a creditor. The present legal tender note of the United States corresponds to the first; the bank note of Canada to the last.

It would be a mistake to suppose that representative, emblematic, or paper money is an invention of modern times. The equivalent was used, in negotiable forms or representatives of property, as stamped leather, iron, tin, and stamped paper, in

Carthage and Sparta, Rome, China and India, anterior to the Christian Era. The ancients were just as well aware of the unsoundness of an inconvertible currency as we are. They required a currency of intrinsic value, such as gold, silver, or copper money. The pieces of silk, strips of cotton cloth of fixed size and quality, were money of intrinsic value. The shells were also real money; the wampapeay and the couris were coveted for their váriety, beauty and polish, and were valued just as we value precious stones: they had in themselves exchangeable power and intrinsic value, as gold and silver have; but the stamped leather, wooden tallies, bits of iron and tin had none, and constituted an unsound currency, having only the properties of money conferred upon them by political power.

The Chinese had a paper money made from the inside portion of the bark of the Mulberry tree. The bark was pounded in a mortar, moistened, spread out into sheets, cut up into small squares, certified by a chief officer of State, and stamped in red with the Imperial seal. Those little squares or cards, signed and sealed, having an authentic character, were issued by the State as money, and circulated throughout the Empire. It was death to counterfeit them, death also to refuse them in satisfaction of a debt, or in payment of goods. Their wise men, however, understood the true theory of paper money. One of them writes: "That paper should never be made money, should be used only as a sign or representative of articles of value, such as metals or commodities, which should be forthcoming when wanted by the holder of such signs: this being the true intention of paper money; but when Government caught at the idea of making it real money, the original intention and true character of the currency were lost."

Every country had its monetary unit, which consisted generally of the principal merchandise or production of the place, estimated by weight, measure, or number. In some countries it was the silk or the cotton; in others the iron or the grain; and, frequently, the sheep and the cattle.

The monetary unit in Russia, in early times, consisted of skins or furs, which circulated as money; but in order to avoid the inconvenience of transferring such bulky articles from one to another, Government conceived the idea of cutting a small piece off each skin, as tokens and representatives of the skins stored away till claimed by the holders of the tokens. In primitive times it was not, however, always safe to entrust property to Governments; and the Government of Russia being in need of currency, found it easy to augment the number of tokens, and circulate them far in excess of the skins they were supposed to represent. When the Mongol Tartars conquered Russia, they would have nothing to say to this curious kind of currency; but insisted upon having the skins, and threw the monetary affairs of the country into confusion.

Some numismatists confiding in a passage in Aristotle, hold that the leather money of the Carthaginians represented skins or hides; and maintain that it was, therefore, a sound and convertible currency: but there is not sufficient evidence to justify any one in arriving at that conclusion.

The Greeks not only understood the principles of currency, and the use of paper money, but carried on the business of banking at least three centuries before the Christian era, and in a manner not very different from that in which it is conducted now. They appreciated more than other nations a sound currency, preferring one of gold, silver, or copper; and never resorted to the use of paper or emblematic money, except in times of extreme peril to the State. There is, perhaps, no better definition of money than that given by Aristotle: "Money is a means of exchange or measure of value whereby one description of merchandise is exchanged for another." We have the means of ascertaining the weight, dimensions and bulk of a body, substance or object; we want also to ascertain its value. What the pound weight and the standard measure perform in respect of the former, that money does in regard to the latter: it measures its value: being "the intermediate commodity interposed between what we have to sell, and what we wish to buy; establishing the value of each by the quantity of this interposed commodity which is given or taken in exchange."

In an article on Old Colonial Currencies, by Mr. S. E. Dawson, of Montreal, we learn, "that in America, within a comparatively short period, every conceivable form of currency has been tried. The accounts of New Netherlands (now New York State), were, in 1662, kept in wampum and Beaver skins.

That currency does not appear to have been more suitable than others; for in that year complaints were made of its increasing depreciation, and the Chamber of Commerce at Amsterdam credited all the Colonial officials with twenty-five per cent. additional salary in beaver skins to cover their loss, a precedent too seldom followed in later and more progressive times."

Parkman in "The Old Régime in Canada," tells us that, "In the absence of coin, beaver skins long served as currency in Canada. In 1669, the Council declared wheat a legal tender, at four francs the minot; and five years later, all creditors were ordered to receive moose skins in payment at the market rate."

During the period of the early settlement in Canada, the coins in circulation were of the reigns of Henri IV., Lewis XIII., and XIV., with the exception of three pieces struck specially for the colony.

Leblanc in his treatise on money, page 388, alludes to these coins:

"Afin de faciliter le commerce dans le Canada, le Roy fit fabriquer pour cent mille livres de Louis de 15 sols de 5 sols, et des doubles de cuivre pur. Ces monnaies étaient de même cours, poids et loi que celles de France. Sur les Louis d'argent de 15 sols et de 5 sols, au lieu de *Sit nomen domini benedictum* il y avait *gloriam regni tui dicent*, et sur les doubles: *Doubles de L'Amerique Francaise.*

Description de la pièce de 15 sols:

LVD. XIIII. D. G. * FR. ET NAV. REX. Buste juvenile de Louis XIV. à droite, tête laurée, perruque longue et bouclée. Le buste drapé par dessus la cuirasse.

"R/lég: GLORIAM REGNI TVI DICENT, 1670. Ecu au 3 fleurs de lys surmonté de la couronne royale.

"Module 27 millimètres.

"Pièce de 5 sols semblable à la précédente.

"Module 21 millimètres."

And in reference to the other coins of the same reign, we find in "Le Dictionnaire de Numismatique, publié par M. L'abbé Migné, Paris," as follows:

"On fabriqua au commencement du règne de Louis XIV. les mêmes espèces d'or, d'argent, de billon et de cuivre, que sous le règne précédent, savoir: des louis d'or, des demis et des doubles louis d'or, des écus d'or et des demis; des louis d'argent de 60, de 30, de 15 et de 5 sous; des deniers et doubles deniers de cuivre purs. Toutes ces monnaies étaient de même poids, titre, loi et valeur que sous le règne précédent."

The Livre Tournois was the integer or money of account in Canada, but it was not known in Canada or even in France during that period as a coin. There was, however, once a coin called Tournois: "Petite monnaie bordée de fleurs de lis qui tirait son nom de la ville de Tours où elle était frappée. Il y avait des livres Tournois, des sols Tournois, des petits Tournois. Ce n'est plus qu'une désignation d'une somme de compte."

The Livre Parisis was also a money of account, but I have not found it alluded to in any old deeds of sale in Canada. Sales were invariably made during the period of early settlement for sums stated in Livres Tournois. The Livre Parisis, however, is thus referred to in the Dictionnaire de Numismatique:

"Parisis, en terme de compte, est l'addition de la quatrième partie de la somme au total de la somme; ainsi le Parisis de 16 sols, est quatre sols; quatre sols Parisis font 5 sols: c'est aujourd'hui une monnaie de compte qui autrefois était monnaie réelle, qui se fabriquait à Paris, en même temps que le Tournois se fabriquait à Tours. Ces Parisis étaient d'un quart plus forts que les Tournois, en sorte que la livre Parisis était de 25 sols et la livre Tournois de 20 sols." And d'Abot de Bazinghem "Traité de Monnaies," under the word Tournois, writes:

"On s'est servi en France dans les contrats des monnaies Tournois et Parisis jusque sous le règne de Louis XIV, où la monnaie Parisis a été abolie. On ne se sert plus dans les comptes que de la monnaie Tournois. Il faudra donc à partir de Louis XIV entendre le mot livre comme Livre Tournois."

"La livre Tournois était représenté par des monnaies qui n'ont jamais variées sous le rapport du titre qui était de 11 deniers argent fin (917/00) mais qui ont subi des variations fréquentes, sous le rapport de la valeur."

"Ainsi pour en citer un exemple: l'émission de Décembre, 1689: Louis d'argent à 11 deniers de fin—de 8$\frac{11}{12}$ au marc, (poids 27 gr. 427) *LVD. XIIII. D. G.* * *FR. ET NAV. REX.* Tête virile à droite, perruque ample retombant en boucles sur les épaules drapées. Sous le buste: 1689.

"R/.—CHRS. REGN. VINC. IMP. Croix de 4 doubles L. adottés et couronnées, avec 4 fleurs de lys dans les angles; au centre la lettre monétaire. Ce Louis d'argent fut émis d'abord pour 66 sols puis pour 65, Juillet 1692.
64 Décembre 1692.
63 1 Juin 1693.
62 Août 1693.
d'autres fabrications eurent lieu en 1701-1705."

In the eighteenth century the écu of 6 livres went into circulation in Canada, viz., in the last years of the reign of Louis XV.

"Ces écus étaient à 11 deniers de fin, de poids de 29 gr. 49.

"Description du dernier écu par Louis XV:

"LVD. XV. D. G. FR.—ET NAV. REX. Effigée, tournée à gauche et laurée—buste drapé.

"R/.—SIT NOMEN DOMINI BENEDICTVM.: Ecu ovale au 3 fleurs de lys, entouré de branches de laurier.

"Divisions de l'écu: petit ecu, pièce de 24 sols, de 12 sols, de 6 sols."

As I intend to confine myself to the subject of card or paper money, I shall not refer further to the coins which constituted, to a limited extent, the currency of Canada during the French Régime. I have described a few only, which did service and circulated among the early settlers; but card money prevailed as currency in the ordinary transactions of life in the colony.

While we rise pleased from the perusal of the history of the Bank Note of Scotland, convinced of the soundness of the system under which it issues, of the good service it renders, and of its title to existence: its little counterpart, "the card," in Canada, born, prematurely, about the same time, in an infant colony of France, has to be pathologically considered, and followed through various stages of disease, till death puts an end to its existence; but not to the mischief inflicted upon those among whom it circulated, and who put faith in its virtue.

Card money was issued in Canada by the Intendant Meales in 1685. He informs the minister, "I have no money to pay the soldiers, and not knowing to what Saint to make my vows, the idea occurred to me of putting in circulation notes made of cards, each cut into four pieces; and I have issued an ordinance commanding the inhabitants to receive them in payment. The cards were common playing cards, and each piece was stamped with the fleur-de-lis and a crown, and signed by the Governor, the Intendant, and the clerk of the Treasury at Quebec."* They were convertible into Bills of Exchange at a specified period. Other cards domiciled in France, appear to have issued afterwards, payable to bearer on demand, which circulated freely to the extent of the currency required in the colony; the rest were remitted to France or converted into Bills of Exchange. Subsequently card money, not domiciled in France, but confined to the colony, was issued. Each card bore the name and coat-of-arms of the Intendant, the nominal value of the card, and the date of issue; also the signature and seal of the Governor as security against forgery. There were cards of the denominations, 32 livres, 16 livres, 4 livres, 40 and 20 sols. This new issue did not take well at first in the colony; the old, payable in France, being preferred. It was customary for the holders of card money to exchange it in autumn with the Treasurer at Quebec, for Bills of Exchange on the Imperial Treasury; and it was taken for granted that the old issue would have a preference over the new. But the policy of the Treasurer was the very opposite of this; he demurred to the old, and readily issued Bills of Exchange for the new. The effect of this proceeding was to establish the credit and currency of the new notes, which were thenceforth taken in preference to the old issue.

During a period of nearly thirty years the card money circulated, and served as currency in the ordinary transactions of life in the colony, and was considered safe to take in satisfaction of a debt; because, if not convertible into coin in Canada at the will of the holder, it was redeemed in Bills of Exchange on the Imperial Treasury, which constituted an excellent remittance for the colonists who had to meet their engagements in France. But trying times were in store for Canada: the Imperial Treasury, drained by the extravagance and costly wars of Louis the XIV., became unequal to the heavy demands made upon it; and the drafts drawn by the Colonial Government being consequently dishonored, the financial affairs of the colony were thrown into a hopeless state of confusion. The card money rapidly depreciated in value. Treasury bills, formerly so much valued, were sold in France at a heavy discount; others were returned to the colony dishonored and under protest. Appeals were made in vain to the Colonial authorities for settlement. There was none to be had – no relief anywhere.

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* Parkman's Old Régime, p 300.
Meales au Ministre, 24 Sept., 1685

In 1714 the amount of card money in the hands of the colonists appears to have reached the sum of two million.* The population of Canada was then about twenty thousand, of which probably six thousand were settled in Quebec, and two thousand in Montreal. Considering the condition of the colony, the amount of currency floating should not, under the circumstances, have exceeded one million. Being in excess, depreciation followed as a matter of course; and Government being pressed for settlements, compromised, from time to time, with the holders of the currency, by payment of one-half its nominal value.

Finally in 1717, a decree, after citing the settlements referred to, and deploring the inconvenience of card money, announces the intention of Government to withdraw it entirely from circulation, and to redeem it within a certain period, at a reduction of value. At the same time a new issue, current at the reduced value, was made to meet the immediate requirements of the Treasurer, redeemable on the same terms and conditions as the old.

The decree referred to provides that all card money shall be current in the colony at one-half of its nominal value, viz: A card of four livres for two (equal to one livre ten sols money of France): the total reduction being five-eighths of the original value.† Subsequently this decree was modified by another to meet the case of certain debtors, who would otherwise have had to pay twice as much as they really owed.‡ But in the main it was adhered to.

The terms of settlement, or redemption, were as follows: the Treasurer is instructed to retire the card money before the ships leave in November for France; and holders will then be paid one-third of the reduced value in Bills of Exchange on France, maturing 1st March, 1718; one-third, 1st March, 1719; and the balance, 1st March, 1720. All card money presented for settlement, after the ships leave in 1718, will be redeemed at the reduced value: one-half in bills payable 1st March, 1719; the remaining half, 1st March, 1720; but all cards outstanding, after the ships shall have left in 1718, will be considered cancelled and valueless. A more mistaken policy, or a more unjust proceeding on the part of the Home Government than this, can scarcely be conceived. Government had had the experience of more than a quarter of a century to guide them in the issue of card money. A little reflection should have shown that the amount of over issue, only, required to be redeemed. The remedy was simple: if one million livres of cards had been withdrawn, the rest would have kept out, and circulated to the great convenience of the community; and no one would have suffered any loss. As to the new issue for current expenses, redeemable at three-eighths of its nominal value—not a sol was saved; for it exchanged for that only, and no more.

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* Parkman's Old Régime, p. 300.

† Edits and Ord., p. 370.

‡ Edits and Ord., p. 393.

The missionary spirit, in which the settlement of Canada was undertaken, continued to maintain and manifest itself among the clergy and many of the laity. Bold spirits such as La Salle and de Tonty devoted their lives to discovery, and to the establishment of new colonies in the great west. The rest remained behind to trade with the Indians and with each other.

It was difficult to get the colonists to apply themselves steadily to agriculture. "In vain the Government sent out seeds for distribution. In vain the intendants lectured the farmers and lavished well meant advice. Tillage remained careless and slovenly."* The spirit of dogged industry was waning. In the pursuit of trade they hoped to attain to wealth and independence by a shorter route, and with less labor; but the false financial system followed in the mother country, as well as in the colony, doomed them to disappointment and frustrated their hopes.

Next to an impartial administration of justice, the most important object to a people is a safe and secure currency. This maxim was, however, disregarded in France, where the wildest ideas upon currency prevailed. The schemes of Law, introduced under the Regent Duke of Orleans about this time, proved a complete failure; and France, if not covered with ruin, was plunged into a state of extreme financial confusion.

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* Parkman

In Canada the régime of card money was, for a time at any rate, at an end; but the specie in the colony was quite inadequate to supply its place, and meet the wants of the community in the ordinary business of exchange between man and man. There was much groping in the dark in relation to currency questions, and we have consequently:

A Decree reducing the value of gold coins, dated May 7, 1719.

A Decree increasing the value of gold and silver coins and reducing the price of commodities, 24th October, 1720.

A Decree suspending the operation of the above, 26th December, 1720.

A Decree concerning copper money, 30th April, 1721.

A Decree concerning specie, 4th February, 1724; March 27th, 1724; September, 1724, and 22nd September, 1724.

In January, 1726, a Decree ordering "la fabrication de nouvilles espéces d'or et d'argent."

May 26th, 1726, a decree augmenting the value of specie, currency, etc.

Trade languished, and a return to the use of paper money appeared to be the only remedy. Representations were made accordingly; and Government yielding to the wishes of the people, resumed the issue of card money, with little more light on the subject of currency, than they had in the previous century. So the "card" revived on the 2nd of March, 1729; and its restoration was announced in the following:

"*Ordonnance du Roi au sujet de la Monnaie de Carte.*

"DE PAR LE ROI.

" Sa Majesté s'étant fait rendre compte de la situation où se trouve la colonie de Canada depuis l'extinction de la monnaie de carte, et étant informée que les espèces d'or et d'argent qu'elle y a fait passer depuis dix années pour les dépenses du

pays ont repassé successivement chaque année en France, ce qui en cause l'anéantissement du commerce intérieur de la colonie, empêche l'accroissement de ses établissements, rend plus difficile aux marchands le débit en détail de leurs marchandises et denrées; et par une suite nécessaire fait tomber le commerce éxtérieur qui ne peut se soutenir que par les consommations que produit le détail; Sa Majesté s'est fait proposer les moyens les plus propres pour remédier à des inconvénients qui ne sont pas moins intéressans pour le commerce du royaume que pour ses sujets de la Nouvelle-France; dans la discussion de tous ces moyens aucun n'a paru plus convenable que celui de l'établissement d'une monnaie de carte qui sera reçu dans les magasins de Sa Majesté en payment de la poudre et autres munitions et marchandises qui y seront vendues et pour laquelle il sera délivré des lettres de change sur le trésorier-général de la marine en exercice; elle s'y est d'autant plus volontiers déterminée qu'elle n'a fait en cela que répondre aux désirs des négocians du Canada, lesquels ont l'année dernière présenté à cet effet une requête au gouverneur et lieutenant-général et au commissaire-ordonnateur en la Nouvelle-France, et aussi aux demandes des habitans en général qui ont fait les mêmes représentations, et que cette monnaie sera d'une grande utilité au commerce intérieur et extérieur par la facilité qu'il y aura dans les achats et dans les ventes qui se feront dans la colonie dont elle augmentera les établissements, et Sa Majesté voulant expliquer sur ce ses intentions, elle a ordonné et ordonne ce qui suit:

"Article I.—Il sera fabriqué pour la somme de quatre cent mille livres de monnaies de carte de vingt-quatre livres, de douze livres, de six livres, de trois livres, d'une livre dix sols; de quinze sols et de sept sols six deniers, lesquelles cartes seront empreintes des armes de Sa Majesté, et écrites et signées par le contrôleur de la marine à Québec.

"II. Les cartes de vingt-quatre livres, de douze livres, de six livres et de trois livres seront aussi signées par le gouverneur, lieutenant-général, et par l'intendant ou commissaire-ordonnateur.

"III. Celles d'une livre dix sols, de quinze et de sept sols six deniers, seront seulement paraphées par le gouverneur, lieutenant-général et l'intendant ou commissaire-ordonnateur.

"IV. La fabrication des dites quatre cent mille livres de monnaie de carte pourra être faite en plusieurs fois différentes, et il sera dressé pour chaque fabrication quatre procès-verbaux dont un sera remis au gouverneur, lieutenant-général, un autre à l'intendant ou commissaire ordonnateur, le troisième sera déposé et enrégistré au bureau du contrôle, et le quatrième envoyé au secrétaire d'état ayant le département de la marine.

"V. Défend Sa Majesté au dit gouverneur, lieutenant-général, intendant ou commissaire-ordonnateur et au contrôleur d'en écrire, signer et parapher pour une somme plus forte que celle de quatre cent mille livres, et à toutes personnes de la contrefaire, à peine d'être poursuivies comme faux monnoyeurs et punies comme tels.

"VI. Veut Sa Majesté que la monnaie de carte faite en exécution de la présente ordonnance ait cours dans la colonie pour la valeur écrite sur icelle et qu'elle soit reçue par les gardes-magasins établis dans la colonie en payement de la poudre, munitions et marchandises qui seront vendues des magasins de Sa Majesté, par le trésorier pour le payement des lettres de change qu'il tirera sur les trésoriers-généraux de la marine, chacun dans l'année de son exercice, et dans tous les payemens généralement quelconques qui se feront dans la colonie de quelqu'espèce et de quelque nature qu'ils puissent être.

"Mande et ordonne Sa Majesté au sieur marquis de Beauharnois, gouverneur et lieutenant-général de la Nouvelle-France, et au sieur Hocquart, commissiare-ordonnateur, faisant les fonctions d'intendant au dit pays, de tenir la main à l'exécution de la présente ordonnance, laquelle sera régistrée au contrôle de la marine à Québec.

"Fait à Marly, le deuxième mars, mil sept cent vingt-neuf.

"Signé: LOUIS.

"Et plus bas,

"Signé; PHELYPEAUX.

"Et scellée du petit sceau."

I have copied the ordinance *verbatim*, because an attentive perusal will give a far better idea of the then state of commer-

cial and financial affairs in the colony, than I could possibly hope to convey by any remarks of my own. In the absence of specie, some such measure as the foregoing seemed necessary. The people could not return to a currency of beaver and moose skins, because they were wanted for exportation; and the wheat, which was legal tender at 4 francs per minot, was required to maintain human life in the colony. Considerable exchangeable power was, however, conferred upon the cards:—first, by the limitation of their issue; and then by the provisions in the measure for their convertibility into goods, and also into Bills of Exchange on the Imperial Treasury. The colonists were temporarily released from a dead lock, caused by the paucity, or absence of currency, so indispensable to a trading community.

The new issue of card money did not vary much in appearance from the cards called in, and settled for by compromise. Several specimens are in the possession of my friend Mr. Cyrille Tessier, Notary, a proficient numismatist, of Quebec. They are square pieces of card, having the corners clipped off, about half the size of a common playing card, and of the same thickness. The fractional card money is of the same material, but smaller in size. The accompanying illustrations, copied from originals in the possession of Mr. Tessier, will show better than any description could do, the character of this card money. As shown on plate I, the large card money bears at the top the arms of France and Navarre, stamped between the signature of the clerk of the Treasury *Varin*, and the year of issue 1742, followed by the statement of its value: *Pour la somme de douze livres.* After which follows the signature of the Governor *Beauharnois*, and that of the Intendant *Hocquart.*

The small card money has the same impress of the arms of France and Navarre, with the attesting signature "*Varin*," and year of issue, which in the example here produced is 1752. The initial at foot "*B*" is that of the Intendant *Bigot.*

Four hundred thousand livres (or francs), issued under authority of the Ordinance of 2nd March, was a small amount for a population of thirty or forty thousand. All things considered, four times four hundred thousand would have floated on that population; and this amount might have issued without any violation of the principles of currency; but four hundred thousand livres was not enough for the ordinary purposes of exchange, and, consequently, a second issue was authorized on the 12th May, 1733, viz.:

"*Autre Ordonnance du Roi au sujet de la Monnoie de Carte, du 12e. mai, mil sept cent trente-trois.*

"DE PAR LE ROI,

"Sa Majesté ayant, par son ordonnance du deux du mois de mars, mil sept cent vingt-neuf, et pour les raisons y contenues, ordonné qu'il seroit fabriqué en Canada pour la somme de quatre cent mille livres de monnoie de carte de vingt-quatre livres, de douze livres, de six livres, de trois livres, de trente sols, de quinze sols, et de sept sols six deniers, elle auroit eu la satisfaction d'apprendre que l'établissement de cette monnoie qui avoit été désiré de tous les états de la colonie y avoit en effet produit d'abord les avantages qu'on en avoit attendu; mais Sa Majesté s'étant fait rendre compte des représentations qui ont été faites l'année dernière tant par les gouverneurs et lieutenant-général et l'intendant que par les négocians du pays, sur l'état actuel de la colonie, elle auroit reconnu que la dite somme de quatre cent mille livres n'est point suffisante pour les différentes opérations du commerce intérieur et extérieur, soit par le défaut de circulation de partie de cette monnoie que gardent les gens aisés du pays sur le juste crédit qu'elle a, soit parce que la colonie devient de jour en jour susceptible d'un commerce plus considérable, elle auroit jugé nécessaire pour le bien du pays en général et pour l'avantage du commerce en particulier d'ordonner une nouvelle fabrication de monnoie de carte, et elle s'y seroit d'autant plus volontiers déterminé qu'elle répondra encore par-là aux désirs de tous les états de la colonie, à quoi voulant pourvoir, Sa Majesté a ordonné et ordonne ce qui suit:

"ARTICLE I.—Outre les quatre cent mille livres de monnoie de carte fabriquées en exécution de l'ordonnance de Sa Majesté du deux de mars, mil sept cent vingt-neuf, lesquelles continueront d'avoir cours en Canada conformément à la dite ordonnance, il sera fabriqué pour la somme de deux cent mille livres de cette monnoie en cartes de vingt-quatre livres, de douze livres, de six livres, de trois livres, de trente sols, de quinze sols et de sept sols six deniers, lesquelles cartes seront empreintes des armes de Sa Majesté, et écrites et signées par le contrôleur de la marine à Québec."

Art. II., III., IV., and V. are a mere repetition of II., III., IV., V., and VI. of the former ordinance.

It is interesting to read the preceding preamble. Light is breaking in on the subject. We see signs of caution, and an honest intention on the part of Government to give and maintain a safe, serviceable, though not immediately convertible currency. The experiment broke down, however, as we shall see presently, owing to the unprincipled proceedings of the Intendant; and Government drifted into a system of reckless and unrestricted over-issue, resulting in dishonor and disaster to all concerned. With a sound system of currency and finance, very different from the present might have been the fate of Canada. There was no lack of military ardour and soldierly qualities on the part of the French; but the woful mismanagement of financial affairs and maladministration of the colony, had a telling effect upon the spirits of the people, and contributed probably not a little to the loss of Canada to France.

An unfortunate concession had been made by Government to their ill paid officials. All were permitted to engage in trade—from the lowest to the highest functionary. The grossest abuses were the result. Officials appear to have been in league with leading merchants to extort exorbitant prices from Government and from the settlers to whom they sold goods.* The privilege of trading, in connection with the issue of paper money, sometimes by the same hands, opened wide the door to every kind of abuse; and the highest functionaries were accused of enriching themselves by unworthy means.

The new issues being insufficient for the wants of the community, more might have been authorized under proper restrictions, with perfect safety. But the Intendant took the matter into his own hands, and of his own mere motion put out a separate issue of paper money which he called "ordonnances," to which no limit was assigned. The "ordonnances" were simply Promissory Notes. The lowest denomination was 20 sols, the highest 100 livres. They were printed on common paper about half the size of a sheet of ordinary note paper, as shown in the accompanying fac-simile, plate II., of a note for ninety-six livres, issued at Montreal (for Quebec) in 1759. At the top, the year, then the words "*Dépenses Générales*," the number, followed by the obligation: "*Il sera tenu compte par le Roi au mois d'Octobre prochain de la somme de quatre-vingt seize livres, valeur en la soumission du Trésorier restée au bureau de contrôle.*" Under this, the date, and signature of Intendant *Bigot.*

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* Garneau, p. 290, vol. II., referring to official despatches on the subject.

Both cards and ordonnances were in use as currency and circulated simultaneously in the colony. The cards were, however, preferred, being considered a privileged or prior claim on the Treasury. Before the close of navigation, each year, in the month of October, those who required Bills on France for remittance, obtained them at the local Treasury, in exchange for cards and ordonnances; but cards were settled first, because the redemption of the ordonnances was contingent upon the state of the credit of the colony. If the annual expenditure exceeded the sum authorized to be drawn for, the ordonnances, instead of being redeemed by Bills of Exchange, were exchanged for bonds, payable twelve months after date, in card money—an arrangement which was termed "faisant la réduction." In 1754 both cards and ordonnances were settled for on equal terms, viz.: by Bills of Exchange payable partly in 1754, partly in 1755, and partly in 1756. In that year 1,300,000 livres of specie arrived from France, and the people thought that Government intended to discontinue the issue of paper money. Specie was then current at the proportionate value of 6 livres silver to 8 livres paper, and Government endeavored to establish that premium on silver, as a permanent par. Increased issues of paper money were made nevertheless; and as a matter of course the experiment failed, and paper fell, in spite of the Government, to 60 and 70 per cent. discount. The paper money now afloat, chiefly ordonnances, became completely discredited. "Le papier qui nous reste," writes M. de Levis to the Minister, "est entiérement décrédité, et tous les habitans sont dans le désespoir. Ils ont tout sacrifié pour la conservation du Canada. Ils se trouvent aetuellement ruinés, sans ressources."*

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* Garneau, page 355, vol. II.

In 1758-9, the death blow was given to the system in Canada, by the dishonor of the Treasury bills, and the refusal of the Imperial Government to allow of any more drafts on the Treasury, until an enquiry had been made into the cause and extent of the excessive issues of paper money. Prior to the peace, but after all hope of keeping Canada had fled, the Governor Vaudreuil and Intendant Bigot issued a circular to the people, stating that they were instructed by His Majesty the King to say that circumstances compelled him to refuse payment of the Bills drawn on the Treasury; but that those drawn in 1757 and '58, now overdue, would be liquidated three months after the conclusion of peace; and that interest would be allowed from the date of maturity—that those of 1759 would be liquidated eighteen months after peace. The Governor and Intendant were further charged to assure the people of Canada that the state of the Imperial Treasury alone compelled the King to act in this manner toward those who had given such signal proofs of their fidelity and attachment. They would wait patiently, he hoped, for a settlement of their claims. Those fair promises were never fulfilled.

Mr. Garneau, quoting from Raynal, says: "Under this monetary system Canada was deprived of all real security. Coined money has intrinsic value, paper money has none. It is only a sign and depending upon the contingency of redemption. The expenses rose rapidly. From 1,700,000 livres in 1749 they rose successively from year to year to 2,100,000, 2,700,000, 4,900,000, 5,900,000, 5,300,000, 4,450,000, 6,100,000, 11,300,000, 19,250,000. 27,900,000, 26,000,000 fr.; and for the eight first months of 1760 to 13,500,000, in all exceeding 123,000,000. Of this sum," says M. Garneau, "the state owed 80,000,000—41,000,000 of which to Canadian creditors, consisting of 34,000,000 in Ordonnances and 7,000,000 in Bills of Exchange. This large amount of state obligations held by Canadians—large for such a country—proved almost valueless to the holders. Merchants and officers of the British army," says M. Garneau, "bought up, at 'vil prix,' a portion of these claims, and resold them, through French factors or brokers, on London Exchange for cash. Through personal influences, a stipulation was secured in the treaty of 1763 for compensation of 3,600,000 francs in settlement of a moiety of the Bills, and three-fourths of the ordonnances; but while the Canadians suffered by the reduction an immediate loss of 29,000,000 on their holding, the merchants and officers, alone, derived whatever profit was to be reaped from the indemnification."

With respect to the alleged gains by British officers, the statement is simply incredible. We can believe that:

> " Grim visaged war has smoothed his wrinkled front ;
> And now, instead of mounting barbed steeds,
> To fright the souls of fearful adversaries,
> He capers nimbly in a lady's chamber,
> To the lascivious pleasing of a lute."

But M. Garneau makes large demands upon our credulity when he asks us to believe that Mars took to stock-jobbing and trafficking in repudiated paper money. He must surely have penned that passage in an exceptional mood of mind; or, perhaps, under the influence of Anglophobia.

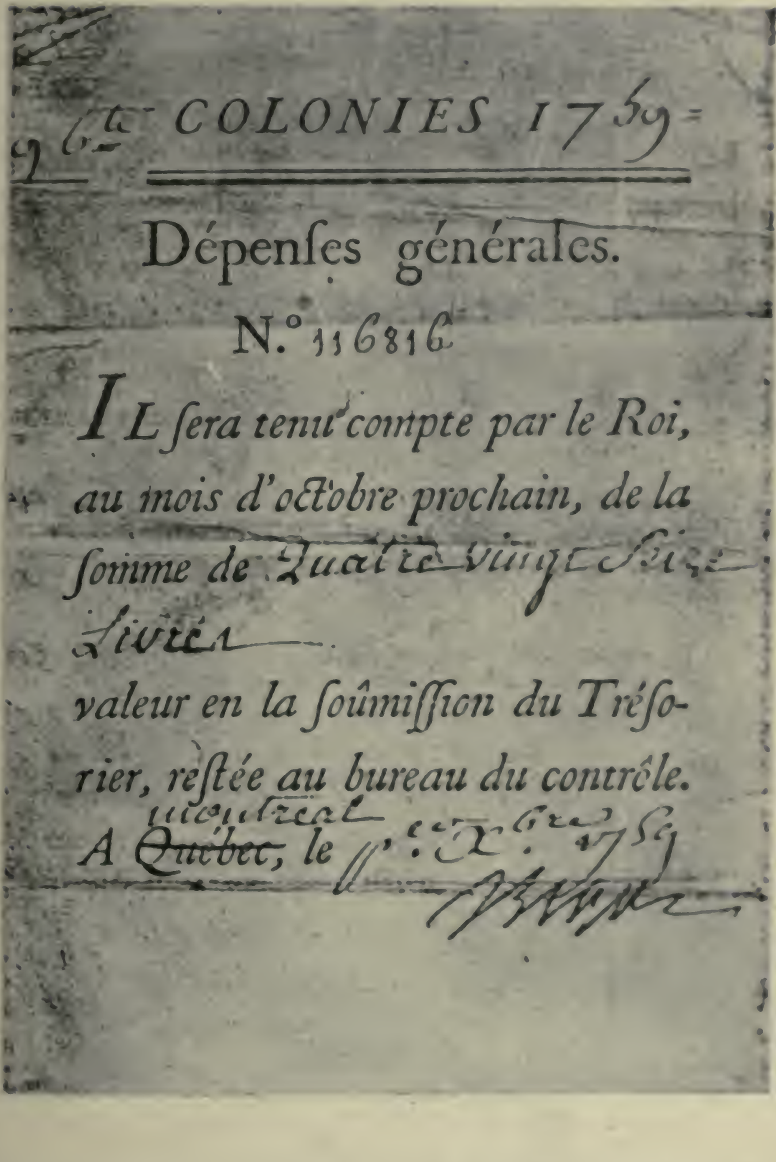
After the capitulation of Quebec, the British authorities paid for all labor, and every commodity, in specie—chiefly in Mexican dollars. Perhaps the new subjects, as the Canadians were then called, became reconciled to a change of allegiance which, thenceforth, secured to them the full satisfaction of every just pecuniary claim.

In preparing the foregoing story of the card money of Canada, I am indebted to Sir N. F. Belleau, Knt., Mr. S. E. Dawson, of Montreal, the Prothonotary Mr. Fiset, Mr. C. Tessier and Mr. M. LeMoine, of Quebec, for pointing out to me various sources of information from which I have drawn. And to Dr. H. H. Miles, author of the "History of Canada," for enabling me to conclude this paper with a copy of an important historical document, which provides for the final settlement of all outstanding paper—whether cards, ordonnances, or bills of exchange.

29TH MARCH, 1766.

CONVENTION FOR THE LIQUIDATION OF THE CANADA PAPER MONEY BELONGING TO THE SUBJECTS OF GREAT BRITAIN, BETWEEN THE KING OF GREAT BRITAIN AND THE MOST CHRISTIAN KING.

In order to terminate the discussions, which have too long



96 lt COLONIES 1759

Dépenſes générales.

N.° 116816

IL ſera tenu compte par le Roi, au mois d'octobre prochain, de la ſomme de Quatre vingt ſeize Livres

valeur en la ſoûmiſſion du Tréſorier, reſtée au bureau du contrôle.

A ~~Québec~~ montreal, le 1er Xbre 1759

subsisted in regard to the liquidation of this paper, belonging to the subjects of Great Britain, the two courts have named and appointed their respective Ministers Plenipotentiary, viz.:

His Brittanic Majesty, the Sieur Henry Seymour Conway, Lieutenant-General of his armies, and one of his principal secretaries of state, likewise authorized to the same effect by the proprietors of the said Canada paper; and His Most Christian Majesty, the Sieur Count de Guerchy, Knight of his orders, Lieutenant-General of his armies, Colonel Commandant of his regiment of foot, and his Ambassador to His Brittanic Majesty; who after having communicated their full powers and authorizations in due form, to each other, copies whereof are transcribed at the end of the present Convention, have agreed to the following articles:

ARTICLE FIRST.

His Excellency General Conway, invested with the above mentioned full powers and authorizations, accepts, for the British proprietors or holders of the Canada paper, and in their names, the reduction of the said paper, on the footing of fifty per centum for the Bills of Exchange, and such part of the certificates as are entitled to the said payments, and of seventy-five per centum for ordonnances cards and the remaining part of the certificates, and to receive for the fifty and twenty-five per centum of the reduced principal, reconnoissances or rent contracts, which shall bear an annual interest from the 1st day of January, 1765, of four and one-half per centum, to be subjected to the Dixième from the said first day of January, 1765, in as many reconnoissances as it shall suit the holders to divide their liquidated principles into: provided that each reconnoissance shall not be for more than One Thousand Livres Tournois; which reconnoissances shall share the same fate for their reimbursement, as the other debts of the state, and shall not be subject to any reduction whatsoever; the whole comformably to the arrêts of the Council issued in France the 29th of June, 2nd July, 1764; 29th and 31st December, 1765.

ARTICLE SECOND.

In order to ascertain the British property of this paper, at the period, and according to the meaning of the Declaration annexed to the last treaty of peace with France, each proprietor or holder shall be obliged to make a declaration thereof upon oath, in the form and terms which shall be hereafter prescribed in consequence of a further delay, which his Most Christian Majesty grants them, to the 1st of October, 1766; after the expiration of which, such of the said papers as shall not have been declared and tendered to be liquidated, shall remain excluded, null, and of no value.

ARTICLE THIRD.

These declarations on the part of the proprietors and holders of this paper shall be accompanied by an oath to be taken before the Lord Mayor of the City of London, or such other magistrate in person as shall be named for that purpose, in such place and at such times as shall be specified in the presence of the commissaries or deputies appointed as well on the part of the Court of France as on the part of the proprietors of this paper; which commissaries or deputies shall be allowed to ask through the magistrate who administers the oath, such questions of the deponent as they shall judge necessary relative to the object of the oath.

ARTICLE FOURTH.

Each declaration shall contain only what belongs to one holder, whether they are his own property, or held by him for account of others, mentioning therein his name, quality, and place of abode; and this declaration shall be made conformable to the model annexed to the present convention.

ARTICLE FIFTH.

Duplicates shall be made of these declarations, certified to be true, signed by the holders of the said papers, and previously delivered to the English and French commissaries or deputies, who shall be obliged, three days after receiving these declarations, to assist at the taking of the oath before the magistrate appointed for that purpose.

ARTICLE SIXTH.

As this paper may, since the last treaty of peace, have passed into the hands of three different classes of proprietors, namely, the actual proprietors, the intermediate, and the original, the form of an oath suitable to each clas of proprietors shall be prescribed in the three following articles.

ARTICLE SEVENTH.

The actual proprietors, who are not original proprietors, having been intermediate purchasers, with a guarantee of the British property, shall take the following oath underneath the declaration of their paper:

"I . . . . affirm and solemnly swear on "the Holy Evangelists, that the papers mentioned in the "foregoing declaration are the same (or part of the same) that "I purchased of B . . the . . . with a "guarantee of their being British property; and that I hold "them on my own account (or on account of . . .) "so help me God."

ARTICLE EIGHTH.

The intermediate proprietors, who have been purchasers and sellers, with a guarantee of their property being British, shall take, by endorsement on their declaration, an oath in the following form:

"I . . . . affirm and solemnly swear on "the Holy Evangelists, that I did purchase of C . . "on the . . . day of . . . sundry "Canada papers, amounting to . . . . and "that I did sell the same, or . . . . of the "same, to D . . which was guaranteed to, and by "me, to be British property, so help me God."

This oath to be repeated by each intermediate purchaser, back to the person who brought them, or received them, from Canada.

ARTICLE NINTH.

The Canada proprietors, or those who represent them in London, being the actual possessors, or no longer so, shall take the following oath, with the modifications expressed, suitable to the different circumstances under which they may find themselves:

"I . . . . . affirm and solemnly swear on "the Holy Evangelists, that the papers mentioned in the "foregoing declaration:

(If the property of a Canadian) "are my own property, "having had them in my possession at the date of the last "treaty of peace (or having bought them in Canada, from "whence I brought them.)"

(If in possession of a British representative of a Canadian subject) "are my own property, having bought them (or re-"ceived them) from Canadian subjects."

(If not in his possession) "were my own property, "having bought them (or received them) from Canadian "subjects; and that I sold the same (or part of the same) "to . . . the . . . ."

(If these papers came from France or elsewhere, being the property of Canadian or British subjects) "were sent to me "from France, or elsewhere, on account of . . as "British property."

(If sold) "and that I sold the same (or part of the same) "to . . . . the . . . ."

(Foreigners, who shall have sent them to England, shall take the same oath as the intermediate proprietors, as expressed in Article eighth, preceding.)

(Foreigners who shall have received them from Canada or Great Britain.)

"I . . . . . affirm and solemnly swear on "the Holy Evangelists, that at the date of the last treaty of "peace, I held in trust, or that since that date I have received "from . . . . in Canada (or in Great Britain, "sundry Canada papers, amounting to . . . . "on the proper account of . . . . . . "an actual British Canadian Subject; and that I have sold "(delivered) (or sent) the same (or part of the same) to ". . . . . as British property."

On these different oaths being judicially and legally made, the respective commissaries shall be obliged to grant to the holders of the papers that shall have come from France (or elsewhere) a certificate of their being British property, as well as to the holders, who shall have received them directly from Canada.

(If the papers have been brought from Canada, on account of any other than the person who sent them) "have been sent "to me directly by . . . of . . . in "Canada, who purchased them from British Canadian Sub-"jects, upon commission for account of . . . . "of . . . ."

(Lastly, if the papers are for account of Canadians and transmitted by them.) "That I received from . . . "of . . . in Canada and for his account."

(All indifferently are to add.)

"I further swear that the said papers were neither "purchased, nor have been negotiated in France, as French "property, nor acquired directly or indirectly from natives of "France, who were the proprietors of them at the date of the "last treaty of peace, and that no part of these papers were "carried from Europe to Canada, in order to give French "property the sanction of British property, which I affirm and "solemnly swear, so help me God."

ARTICLE TENTH.

Nevertheless in case the actual proprietors or holders produce Borderaux in good form, registered heretofore in Canada in consequence of the orders of the English Governors or declared in France as British property, and not liquidated within the time (for those declared in France) that the Registers for the Declaration were opened for the French, it shall be sufficient that the proprietors or holders, so circumstanced, take the following oath :—

"I . . . affirm and solemnly swear on the "Holy Evangelists, that the papers, mentioned in my "foregoing declaration have been registered in Canada (or "in France) conformably to the annexed Borderaux, which I "certify to be true, so help me God."

ARTICLE ELEVENTH.

After the administration of the oaths, there shall, within the space of three days, be delivered to each actual proprietor or holder a certificate of its being British property, by the magistrate who administers the oaths; which certificate shall be revised and signed by the respective commissaries or deputies and shall contain an account of each sort of paper which shall have been therein proved British property; in order that, by means of this voucher, the possessor may present his paper to the office of the Commission at Paris, there to be examined, revised, liquidated and converted into reconnoissances or rent-contracts, according to the reduction fixed and agreed upon: Everything shall meet with all possible despatch, and the holders of this paper shall be at no expense whatsoever.

ARTICLE TWELFTH.

In case any unforeseen accident shall have deprived any actual proprietor of this paper of an intermediate proof between him and the first proprietor who received it from Canada, so as that the proofs which precede and follow that which ought to join them, and which is missing, seem to have report, and belong to each other; in that case only the respective commissaries or deputies shall be empowered to admit the paper it relates to, as British property, if they think proper, notwithstanding the deficiency which shall have broken the link of the proof: and if the respective commissaries or deputies should chance to differ in opinion, the decision of the object in question shall be referred to his Brittanic Majesty's Secretary of State, and the Ambassador of His Most Christian Majesty.

ARTICLE THIRTEENTH.

In virtue of the foregoing arrangement, the Court of France grants to the British proprietors of this paper an indemnification or *premium* of three millions of Livres Tournois, payable in the following manner, viz.:—The sum of five hundred thousand Livres Tournois, which shall be paid in specie to his Brittanic Majesty's Ambassador at Paris, in the course of the month of April next, and the sum of two millions five hundred thousand Livres Tournois in reconnoissances or rent-contracts, of the same nature of those which shall be given for the fifty and twenty-five per centum on the certificates of the Bills of Exchange, Cards, Ordonnances, &c.; but the interest of which shall only run from the 1st of January, 1766. Which sum of two millions and a half of Livres Tournois shall be delivered to the aforesaid Ambassador immediately after the ratification and exchange of the present convention in reconnoissances of one thousand Livres Tournois each, on the express condition that all the Canada paper belonging to British subjects, not liquidated, shall share the same fate, for its reimbursement, as French paper, and shall come in course of payment with the debts of the state, the reconnoissances or rent-contracts whereof shall be paid as the other debts, without being subjected to any reduction whatsoever; and on the further condition that all the English proprietors of the said paper shall give up every particular indemnification from any cause or pretext whatsoever.

ARTICLE FOURTEENTH.

The solemn ratifications of the present convention shall be exchanged in good and due form, in this city of London, between the two courts, within the space of one month, or sooner, if it be possible to be reckoned from the day of signing the present convention. In witness whereof, we, the underwritten Ministers Plenipotentiary of the said two courts, have signed, in their names, and by virtue of our full powers, the present convention, and caused it to be sealed with our arms.

Done at London, this twenty-ninth day of March, 1766.

L.S H. S. CONWAY. *L.S* GUERCHY.

Canada Paper.

Declaration made in consequence of the *arret* of Council of the 24th December, 1762.

"I, the underwritten . . . . do declare, "that I have in my possession the Canada papers "here undermentioned, which belong to me, or belong to " . . . . "

BILLS OF EXCHANGE.

Exercises.	Stamp of the Bills of Exchange.	Dates.	Numbers.	Names of the Drawers.	Upon whom Drawn.	To the Order of.........	When Due.	Sums.	Total per Exercises.

Total of the Bills of Exchange,

BILLETS DE MONNOYE OR ORDONNANCES.

No. Receipt of the Treasurer of Canada for *Billets de Monnoye.*

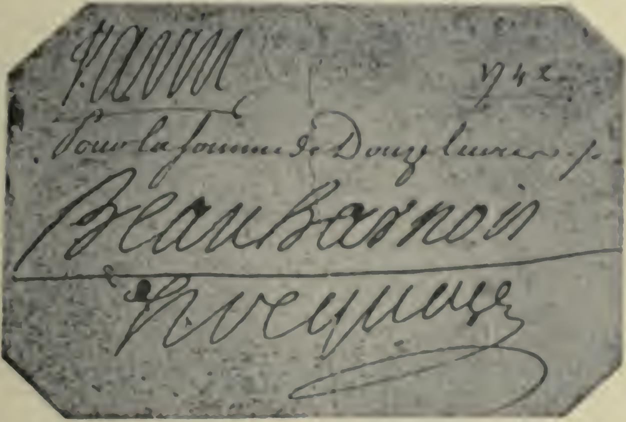
Billets de Monnoye of...............	1000	
of............ ..	96	
of......	50	
of..............	48	
of..............	24	
of..............	12	
of.......	6	
of...............	3	
of..............	1	10 s.
of...............	1	

Total of the Billets de Monnoye and Ordonnances included ....

Receipts of the Treasurer of Canada............

JAMES STEVENSON.

Quebec.

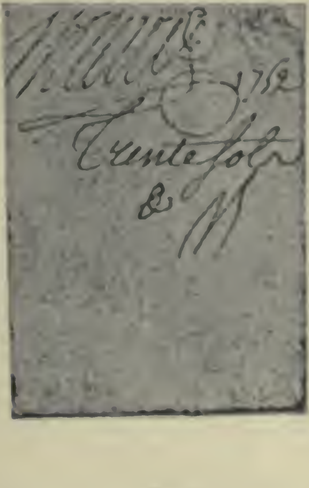


1742

Pour la somme de Douze livres

Beauharnois

Hocquart



1752

Trente sols

B

A NEW INSOLVENT ACT.

Most of the readers of the Journal are aware that the Dominion Government are likely to bring in a bill respecting insolvency during the approaching Session of Parliament. The Council of the Association have been looking after the interests of the banks in the matter, and after obtaining the views of the Bankers' Section of the Toronto Board of Trade, and of the bankers of Montreal, Halifax and elsewhere, have prepared and submitted to the Finance Department a memorandum respecting the various points which the new Act would cover.

The views of the Halifax bankers were set forth in an able memorandum submitted to the Council, the concluding portion of which is a very forcible and practical statement of their views on the general question of insolvency, and with their permission we print this portion for the benefit of the readers of the Journal. The opinions expressed are not wholly shared by the members of the Association, and some of their suggestions are we fear impossible of adoption An Insolvent Act is of all legislation the most difficult to get through Parliament, without concessions to all sorts of conflicting interests, and an ideally perfect law respecting insolvency will only come when the social body is itself perfect; and then we shall probably not need it. The paper is, however, most interesting and instructive, and contains among other things a strong re-statement of the arguments against compositions:

"Walter Bagehot has said that 'the business of banking ought to be simple; if it is hard it is wrong.' The same thing may be said of every other business and of all the arts. When we find ourselves continually struggling with difficulties in any business, we either have failed to get true insight into the matter, or we are being forced to pursue it by wrong methods. It is our opinion that this consideration has a very direct bearing on our insolvency legislation, and on our management of insolvent estates.

"It would almost seem as if the problem, how to deal with bankrupts and bankrupt estates, were one which the Anglo-Saxon race has found insoluble. It certainly has not yet solved it. It is becoming more and more the great conspicuous blot in our commercial life. Whatever practical ability we may have shown in other directions, our efforts here have been a total failure. England and her Colonies alike, as well as the even more practical United States, are in the same condemnation in this matter. One serious effort after another has been made at long intervals, only to end in disgust and universal clamour for repeal of the abortive law. In despair of ever getting the subject satisfactorily regulated by legislation, the people resign themselves for long periods to what we may call free trade in folly. But by and by this too becomes unendurable, and having largely forgotten the old sores and being painfully conscious of where and how the shoe now pinches, a desire for a change, any kind of change, gradually takes possession of them, and the result is a fresh agitation such as we are now witnessing, for another experiment in bankruptcy legislation. But have we really learned anything since the last attempt? Have we been studying the problem? If so, who has thrown any fresh light on it?

"If ordinary business were attempted to be carried on as bankrupt estates are usually administered, under insolvent acts, there would soon be universal bankruptcy. Why is it not possible to deal with bankrupt estates as a competent and conscientious business man would deal with any other estate for which he was acting as trustee? Why should it be any more difficult to wind up an insolvent estate than to wind up the estate of a deceased person?

"It is true that in many cases an insolvent tries to mislead, confuse, and cheat his creditors, but when he has been once divested of his estate, his power to do his creditors further injury is practically stopped; and when he is not dishonest, he may be of considerable assistance in the liquidation of the estate.

"Let it once be recognized that an insolvent is commercially a dead man, and that his estate should be wound up as if he were also physically dead, and we shall find the way wonderfully cleared of difficulties. It then becomes clear that all that is wanted is a capable, trustworthy business man to act as executor or liquidator—to sell off the property, collect the debts, and divide the proceeds among the creditors precisely as would be done in administering the estate of a deceased person.

"In most places of any importance, there are men well known to the public, and to the Court, admittedly good trustees, who could be appointed by the Court as interim liquidators, and such men should be selected as would probably be confirmed as liquidators by the creditors at their first meeting. Whenever there is a Trust Company available, it should be appointed interim assignee or liquidator, and there cou'd then be no objection to the continuation of such a company as liquidator by the Creditors. It seems to us that in this way we should soon have admirable machinery for handling estates of all kinds. A Trust Company's honesty and disinterestedness could not be questioned by any one, and its officers would soon acquire an experience and skill in handling estates which could not be looked for from the ordinary liquidator.

"After such a liquidator was appointed, and inspectors to represent the creditors in conference with him, from time to time, regarding the business of the estate, the estate could be wound up without any further reference to the Court, or the legal fraternity, unless litigation from some cause or other became unavoidab!e. In that event it should be open to the liquidator to invoke the assistance of the Court and get summary judgment on a hearing of the facts.

"When the estate was wound up the liquidator would present his accounts to the Court, and get his discharge just as an executor in the Probate Court would do.

"The inspectors should be appointed merely to advise with the liquidator, to avoid his having to call a meeting of the creditors every time he wished advice respecting minor matters. To appoint inspectors to 'superintend and direct' a liquidator, would simply destroy all feeling of responsibility on the part of the latter—a thing not to be thought of. He should feel that almost everything depended upon him, that every one was looking to him, and that his reputation depended upon his success. While he should keep himself in touch with the creditors through the inspectors, he should not feel bound to follow their advice, unless he was at the same time following his own judgment, and in any matter where he thought it his duty either in the interests of all the creditors, or in that of the public, he shou'd have the right to appeal to the Court against any resolution of the creditors of which he could not approve.

"We should make no provision whatever for Deeds of Composition, but the discharge of the debtor should not be opposed on any ground but that of dishonesty, or because he did not keep proper books and records of his business.

"All insolvent estates should, without exception, be wound up, and they should not be sold *en bloc*, the great object being to establish the principle that no bankrupt shall be allowed directly or indirectly to make money, or other benefit, out of his failure. Nothing but good could follow from the establishment of this principle, and until it is established, nothing but evil will follow our insolvent Acts. We contend that this involves no injustice to the bankrupt. He has no vested right to his business. Any rights he had now belong to his creditors, until they are paid in full. Moreover, in 19 cases out of 20, and probably in a larger proportion, the failure proves that the bankrupt was not able from some cause or other, which need not be discussed, to fill the position he occupied. That being the case, even if his creditors were willing and anxious to compromise with him, and put him back into business, the law ought to interpose on behalf of the common good, for in the end the loss and waste of failures fall on the shoulders of the people. It is just so much abstracted from the aggregate wealth of the community by the incompetency of the bankrupt.

"To permit compromises and so reinstate bankrupts in the business for which they had just proved their unfitness, is to deliberately invert the law of natural selection, and start a crusade against nature. The inevitable result would assuredly follow, and follow fast. Bankruptcies would increase and multiply, for what incompetent or moneyless trader would continue his hopeless struggle against competent and rich men, if he could in one stroke end his misery, not only without losing his position in the community, but also with the certainty that that position would be made stronger than before.

"The conditions of business nowadays are rendering it more and more difficult for small industries of any kind to compete against large ones. while the large ones are growing ever larger. The tendency, therefore, and it is a very strong one, is towards the extinction of all small enterprises. This cause of itself will produce an ever-increasing crop of bankruptcies, but the movement is inevitable and it can hardly be doubted that it is in the right direction.

"Every small or incompetent trader swamped by the competition of the big, well managed corporation, need give himself very little concern about it, however, if he can persuade his creditors that the best thing they can do is to compromise with him and let him go on again. And if he lacked arguments to induce them to this course, he would find enough in the proposed bill, if it ever became a law, for he could easily show them that the alternative would be the eating up of the estate through delay and expense.

"By the winding up of every insolvent estate under such an Act as the one proposed to us, the dividend to the creditors might in many cases be smaller than a compromise would give them, but we contend that with such machinery as we have suggested the liquidation of estates would be much more effective than it has ever been under previous Insolvent Acts, and that in any case the direct loss to the creditors, if any, would be as nothing compared to the indirect gain, alike to creditors generally and to the community at large, which would come from the general knowledge by all traders that failure meant their stepping down and out.

"Then as to the bankrupts themselves, if they had been guilty of no fraud, or of wilful negligence amounting to fraud, they would get their discharge without difficulty and without any reference to the dividend their estates might pay. They would then be in no worse position to earn a living than the thousands of competent, ambitious young men who never had the chance to go into business for themselves, and who certainly have at least as much right to such a chance as those who have had it, and have proved their unfitness for it.

"The key to successful insolvency legislation, in our opinion, is the forbidding of compromises. All the rest is comparatively plain sailing. To put it shortly, the forbidding of compromises, full authority to responsible and in the end virtually professional liquidators, and having as little as possible to do with the lawyers and the courts."

CORRESPONDENCE.

THE NEXT ANNUAL MEETING OF THE ASSOCIATION.

DEAR SIRS,—Will you permit me to use the pages of our JOURNAL for the purpose of directing the attention of Members and Associates of the Canadian Bankers' Association to Halifax as the place of their next yearly reunion.

Many of those present at last summer's meeting of the Association (in Toronto) may recall the objection lodged by our then president to Halifax on account of its distance from Montreal, Toronto and Canadian civilization generally. The writer, being the only delegate from the Maritime Provinces, was allowed to explain that the capital city of Nova Scotia was not the spot indicated in the sentence "go to Halifax;" that, even in midsummer, Halifax is not a hot place, and that citizens of the Nova Scotian capital can sleep under a blanket in July, and upon awaking from slumber they always enquire about the temperature of the Atlantic Ocean before taking their matutinal dip into its waters. Having thus enlightened those who might otherwise have continued to harbor hazy notions of the whereabouts of Halifax, my Halifax, I took advantage of having the floor to assert my willingness to wager a quintal of codfish that Halifax was the most pleasant summer city in British North America. To this last bold statement I am bound to stick with the tenacity of a periwinkle to the rocks at Point Pleasant. It is not more true that the cliffs of Britain are made up of shells and the skeletons of extinct molluscs than that Nova Scotia represents the richest and most picturesque slice or corner of the Dominion of Canada.

It is rich in coal, iron and gold. It is prolific in fish, lumber, pretty women and the best wooden ships in the world. It is picturesque to such a degree that an American poet has been content to accept its beauties on mere traditional rumor thereof, and has given to the reading world of America an ever increasing desire to visit the home of Longfellow's "Evangeline," the country of the banished Acadians.

I made a feeble and a possibly forgotten effort to talk about Halifax to members of the Canadian Bankers' Association at its meeting in Toronto last year. At the annual dinner of the Association (at which, you will allow me, parenthetically, to remark, the bottle, for toast drinking purposes, did not circulate with the freedom of a Canadian chartered bank note), I made a painful effort to weave into an extempore reply to the toast of the Associate Members a passage from my fortunately unpublished essay on Nova Scotia. But the insane desire to tell a story and drink to the toast spoiled my best periods, and I had to content myself with a reference to Nova Scotia as a country of broad farm lands, great woods and beautiful hills, a land pleasing and picturesque to the artist's eye, a province where a reasonable degree of prosperity prevailed, combined with contented happiness.

But my only idea in thus writing to you is to give to those of our Members who are dreaming of coming to Halifax to attend the next meeting of the Association a skeleton programme of what Haligonians have to offer them. Your Halifax brethren can, *in July*, treat you to deep sea fishing, yachting, bathing and boating, and other delightful forms of genuine recreation and relief from the cares and anxieties of the bankers' lot. During your stay, we will make you our guests at the best conducted and prettiest regatta held in the known world, given under the management of Halifax bankers, assisted by the British North American Squadron. We can show them a city almost as rich in historic interest as old Quebec, and the British fleet at anchor in one of the finest of harbors, fringed with forts garrisoned by British troops. We will point with pride to our public gardens, and ask you to show us their equal in Montreal or the Queen City of the West. All these things, and more, await those who intend to test Nova Scotian hospitality in July next. And when you leave us, it will be with a respect and admiration for the capital of Nova Scotia only overshadowed by surprise that Canadians everywhere are not more alive to the importance and whereabouts of Halifax —which surprise, it is fondly to be hoped, will be followed by a determination to make our city, as it ought to be, the true winter port of Canada.

Trusting, my dear sirs, that you will be able, from this hasty letter, to extract something in the shape of a promissory note of hearty welcome to any members of the Canadian Bankers' Association who intend to "go to Halifax" in 1894,

I remain

Yours faithfully,

JOHN KNIGHT.

Recent Legal Decisions.

PRIVY COUNCIL.

Tennant vs. Union Bank of Canada.

Powers of the Dominion Parliament.

Since the last number of the JOURNAL was issued the judgment of the Judicial Committee of the Privy Council has been received. At the first hearing all the points arising in the case were argued with the exception of the Appellant's plea against the validity of the Dominion Act. The Committee having come to the conclusion that the warehouse receipts were valid if the Act were *intra vires* of the Dominion Legislature, asked that that point should be argued. The second hearing took place before a very strong Board, and judgment was subsequently delivered by Lord Watson, upholding the validity of the warehouse receipt clauses of the Bank Act.

The clauses which were under discussion are now no longer in force, but the validity of the clauses of the present Bank Act respecting Assignments of Goods (Sec. 74 and others), would seem to be fully affirmed.

The judgment as to this point reads as follows:

"The question turns upon the construction of two clauses in the British North America Act, 1867. Section 91 gives the Parliament of Canada power to make laws in relation to all matters not coming within the classes of subjects by the Act exclusively assigned to the Legislatures of the Provinces, and also exclusive legislative authority in relation to certain enumerated subjects, the fifteenth of which is 'Banking, Incorporation of Banks and the Issue of Paper Money.' Section 92 assigns to each Provincial Legislature the exclusive right to make laws in relation to the classes of subjects therein enumerated; and the fourteenth of the enumerated classes is 'Property and Civil rights in the Province.'

"Statutory regulations with respect to the form and legal effect, in Ontario, of warehouse receipts, and other negotiable documents, which pass the property of goods without delivery, unquestionably relate to property and civil rights in that Province; and the objection taken by the Appellant to the provisions of the Bank Act would be unanswerable, if it could be shown that by the Act of 1867, the Parliament of Canada is absolutely debarred from trenching to any extent upon the matters assigned to the Provincial Legislature by Section 92. But Section 91 expressly declares that 'notwithstanding anything in this Act,' the exclusive legislative authority of the Parliament of Canada shall extend to all matters coming within the enumerated classes: which plainly indicates that the legislation of that Parliament, so long as it strictly relates to these matters, is to be of paramount authority. To refuse effect to the declaration would render nugatory some of the legislative powers specially assigned to the Canadian Parliament. For example, among the enumerated classes of subjects in Section 91, are 'patents of invention and discovery,' and 'copyrights.' It would be practically impossible for the Dominion Parliament to legislate upon either of these subjects, without affecting the property and civil rights of individuals in the Provinces.

"This is not the first occasion on which the legislative limits laid down in Sections 91 and 92 have been considered by this Board. In *Cushing* v. *Dupuy* (5 Ap. Ca. 409) their Lordships had before them the very same question of statutory construction which has been raised in this Appeal. An Act relating to bankruptcy, passed by the Parliament of Canada, was objected to as being *ultra vires*, in so far as it interfered with property and civil rights in the Province; but, inasmuch as 'bankruptcy and insolvency' form one of the classes of matters enumerated in Section 91, their Lordships upheld the validity of the Statute. In delivering the judgment of the Board, Sir Montague Smith pointed out that it would be impossible to advance a step in the construction of a scheme for the administration of insolvent estates, without interfering with and modifying some of the ordinary rights of property.

"The law being so far settled by precedent, it only remains for consideration whether warehouse receipts, taken in security by a bank, in the course of the business of banking, are matters coming within the class of subjects described in Section 91 (15), as 'banking, incorporation of banks, and the issue of paper money.' If they are, the provisions made by the Bank Act with respect to such receipts are *intra vires*. Upon that point, their Lordships do not entertain any doubt. The legislative authority conferred by these words is not confined to the mere constitution of corporate bodies with the privilege of carrying on the business of bankers. It extends to the issue of paper currency, which necessarily means the creation of a species of personal property carrying with it rights and privileges which the law of the Province does not, and cannot, attach to it. It also comprehends 'banking,' an expression which is wide enough to embrace every transaction coming within the legitimate business of a banker.

"The Appellant's Counsel hardly ventured to dispute that the lending of money on the security of goods, or of documents representing the property of goods, was a proper banking transaction. Their chief contention was that, whilst the Legislature of Canada had power to deprive its own creature, the Bank, of privileges enjoyed by other lenders under the provincial law, it had no power to confer upon the Bank any privilege as a lender, which the provincial law does not recognize. It might enact that a security, valid in the case of another lender, should be invalid in the hands of the Bank; but could not enact that a security should be available to the Bank, which would not have been effectual in the hands of another lender. It was said in support of the argument that the first of these things did, and the second did not, constitute an interference with property and civil rights in the Province. It is not easy to follow the distinction thus suggested. There must be two parties to a transaction of loan; and, if a security, valid according to Provincial law, was made invalid in the hands of the lender by a Dominion statute, the civil rights of the borrower would be affected, because he could not avail himself of his property in his dealings with a bank.

"But the argument, even if well founded, can afford no test of the legislative powers of the Parliament of Canada. These depend upon Section 91, and the power to legislate conferred by that clause may be fully exercised, although with the effect of modifying civil rights in the Province. And it appears to their Lordships that the plenary authority given to the Parliament of Canada by Section 91 (15), to legislate in relation to banking transactions, is sufficient to sustain the provisions of the Bank Act which the Appellant impugns.

"On these grounds, their Lordships have come to the conclusion that the judgments appealed from ought to be affirmed, and they will humbly advise Her Majesty to that effect. The Appellant must bear the costs of this appeal."

PRIVY COUNCIL.

The Attorney-General of Ontario vs. The Attorney-General for the Dominion of Canada, from the Court of Appeal for Ontario.

Powers of the Provincial Legislature in respect to Assignments for the benefit of Creditors.

(*Delivered by the Lord Chancellor*, *24th February*, 1894.)

This appeal is presented by the Attorney-General of Ontario against a decision of the Court of Appeal of that province.

The decision complained of was an answer given to a question referred to that Court by the Lieutenant-Governor of the province in pursuance of an Order in Council.

The question was as follows:—

"Had the Legislature of Ontario jurisdiction to enact the "9th Section of the Revised Statutes of Ontario, chapter 124, "and entitled 'An Act respecting Assignments and Preferences "'by Insolvent Persons?'"

The majority of the Court answered this question in the negative; but one of the Judges who formed the majority only concurred with his brethren because he thought the case was governed by a previous decision of the same Court; had he considered the matter *res integra* he would have decided the other way. The Court was thus equally divided in opinion.

It is not contested that the enactment, the validity of which is in question, is within the legislative powers conferred on the Provincial Legislature by section 92 of the British North America Act, 1867, which enables that legislature to make laws in relation to property and civil rights in the province, unless it is withdrawn from their legislative competency by the provisions of the 91st section of that Act, which confers upon the Dominion Parliament the exclusive power of legislation with reference to bankruptcy and insolvency.

The point to be determined, therefore, is the meaning of those words in section 91 of the British North America Act, 1867, and whether they render the enactment impeached *ultra vires* of the Provincial Legislature. That enactment is section 9 of the Revised Statutes of Ontario of 1887, c. 124, entitled "An Act respecting Assignments and Preferences by Insolvent Persons." The section is as follows:—

"An assignment for the general benefit of creditors under "this Act shall take precedence of all judgments and of all "executions not completely executed by payment, subject to "the lien, if any, of an execution creditor for his costs, where "there is but one execution in the sheriff's hands, or to the "lien, if any, of the creditor for his costs, who has the first "execution in the sheriff's hands."

In order to understand the effect of this enactment it is necessary to have recourse to other sections of the Act to see what is meant by the words "an assignment for the general "benefit of creditors under this Act."

The first section enacts that if any person in insolvent circumstances, or knowing himself to be on the eve of insolvency, voluntarily confesses judgment, or gives warrant of attorney to confess judgment, with intent to defeat or delay his creditors, or to give any creditor a preference over his other creditors, every such confession or warrant of attorney shall be void as against the creditors of the party giving it.

The second section avoids as against the other creditors any gift or assignment of goods or other property made by a person at a time when he is in insolvent circumstances, or knows that he is on the eve of insolvency, with intent to defeat, delay, or prejudice his creditors or give any of them a preference.

Then follows section three, which is important:—

Its first sub-section provides that nothing in the preceding section shall apply to an assignment made to the sheriff of a county in which the debtor resides or carries on business, or to any assignee resident within the province, with the consent of his creditors as thereinafter provided, for the purpose of paying, rateably and proportionately, and without preference or priority, all the creditors of the debtor their just debts.

The second sub-section enacts that every assignment for the general benefit of creditors which is not void under section two, but is not made to the sheriff nor to any other person with the prescribed consent of the creditors, shall be void as against a subsequent assignment which is in conformity with the Act, and shall be subject in other respects to the provisions of the Act, until and unless a subsequent assignment is executed in accordance therewith.

The fifth sub-section states the nature of the consent of the creditors which is requisite for assignment in the first instance to some person other than the sheriff.

These are the only sections to which it is necessary to refer in order to explain the meaning of section nine.

Before discussing the effect of the enactments to which attention has been called, it will be convenient to glance at the course of legislation in relation to this and cognate matters both in the Province and in the Dominion. The enactments of the first and second sections of the Act of 1887 are to be found in substance in sections 18 and 19 of the Act of the Province of Canada passed in 1858 for the better prevention of fraud. There is a proviso to the latter section which excepts from its operation any assignment made for the purpose of paying all the creditors of the debtor rateably without preference. These provisions were repeated in the Revised Statutes of Ontario, 1877, c. 118. A slight amendment was made by the Act of 1884, and it was as thus amended that they were re-enacted in 1887. At the time when the Statute of 1858 was passed there was no bankruptcy law in force in the Province of Canada. In the year 1864 an Act respecting insolvency was enacted. It applied in Lower Canada to traders only; in Upper Canada to all persons whether traders or non-traders. It provided that a debtor should be deemed insolvent and his estate should become subject to compulsory liquidation if he committed certain acts similar to those which had for a long period been made acts of bankruptcy in this country. Among these Acts were the assignment or the procuring of his property to be seized in execution with intent to defeat or delay his creditors, and also a general assignment of his property for the benefit of his creditors otherwise than in manner provided by the Statute. A person who was unable to meet his engagements might avoid compulsory liquidation by making an assignment of his estate in the manner provided by that Act; but unless he made such an assignment within the time limited the liquidation became compulsory.

This Act was in operation at the time when the British North America Act came into force.

In 1869 the Dominion Parliament passed an Insolvency Act which proceeded on much the same lines as the Provincial Act of 1864, but applied to traders only. This Act was repealed by a new Insolvency Act of 1875, which, after being twice amended, was, together with the amending Acts, repealed in 1880.

In 1887, the same year in which the Act under consideration was passed, the Provincial Legislature abolished priority amongst creditors by an execution in the High Court and County Courts, and provided for the distribution of any moneys levied on an execution rateably amongst all execution creditors, and all other creditors who within a month delivered to the sheriff writs and certificates obtained in the manner provided for by that Act.

Their Lordships proceed now to consider the nature of the enactment said to be *ultra vires*. It postpones judgments and executions not completely executed by payment to an assignment for the benefit of creditors under the Act. Now there can be no doubt that the effect to be given to judgments and executions and the manner and extent to which they may be made available for the recovery of debts, are *prima facie* within the legislative powers of the Provincial Parliament. Executions are a part of the machinery by which debts are recovered, and are subject to regulation by that parliament. A creditor has no inherent right to have his debt satisfied by means of a levy by the sheriff, or to any priority in respect to such levy. The execution is a mere creature of the law which may determine and regulate the rights to which it gives rise. The Act of 1887 which abolished priority as amongst execution creditors provided a simple means by which every creditor might obtain a share in the distribution of moneys levied under an execution by any particular creditor. The other Act of the same year, containing the section which is impeached, goes a step further and gives to all creditors under an assignment for their general benefit a right to a rateable share of the assets of the debtor, including those which have been seized in execution.

But it is argued that inasmuch as this assignment contemplates the insolvency of the debtor, and would only be made if he were insolvent, such a provision purports to deal with insolvency, and therefore it is a matter exclusively within the jurisdiction of the Dominion Parliament. Now it is to be observed that an assignment for the general benefit of creditors has long been known to the jurisprudence of this country and also of Canada, and has its force and effect at common law quite independently of any system of bankruptcy or insolvency, or any legislation relating thereto. So far from being regarded as an essential part of the bankruptcy law, such an assignment was made an act of bankruptcy on which an adjudication might be founded, and by the law of the Province of Canada which prevailed at the time when the Dominion Act was passed, it was one of the grounds for an adjudication of insolvency.

It is to be observed that the word "bankruptcy" was apparently not used in Canadian legislation, but the insolvency law of the Province of Canada was precisely analogous to what was known in England as the bankruptcy law.

Moreover the operation of an assignment for the benefit of creditors was precisely the same, whether the assignor was or was not in fact insolvent. It was open to any debtor who might deem his solvency doubtful, and who desired in that case that his creditors should be equitably dealt with, to make an assignment for their benefit. The validity of the assignment and its effect would in no way depend on the insolvency of the assignor, and their Lordships think it clear that the ninth section would equally apply whether the assignor was or was not insolvent. Stress was laid on the fact that the enactment relates only to an assignment under the Act containing the section, and that the Act prescribes that the sheriff of the county is to be the assignee unless a majority of the creditors consent to some other assignee being named. This does not appear to their Lordships to be material. If the enactment would have been *intra vires*, supposing section nine had applied to all assignments without these restrictions, it seems difficult to contend that it became *ultra vires* by reason of them. Moreover, it is to be observed that by sub-section (2) of Section 3, assignments for the benefit of creditors not made to the sheriff or to other persons with the prescribed consent, although they are rendered void as against assignments so made, are nevertheless, unless and until so avoided, to be "subject in other respects to the provisions" of the Act.

At the time when the British North America Act was passed bankruptcy and insolvency legislation existed, and was based on very similar provisions both in Great Britain and the Province of Canada. Attention has already been drawn to the Canadian Act.

The English Act then in force was that of 1861. That Act applied to traders and non-traders alike. Prior to that date the operation of the Bankruptcy Acts had been confined to traders. The statutes relating to insolvent debtors, other than traders, had been designed to provide for their release from custody on their making an assignment of the whole of their estate for the benefit of their creditors.

It is not necessary to refer in detail to the provisions of the Act of 1861. It is enough to say that it provided for a legal adjudication in bankruptcy with the consequence that the bankrupt was divested of all his property and its distribution amongst his creditors was provided for.

It is not necessary in their Lordships' opinion, nor would it be expedient to attempt to define what is covered by the words "Bankruptcy" and "Insolvency" in Section 91 of the British North America Act. But it will be seen that it is a feature common to all the systems of bankruptcy and insolvency to which reference has been made, that the enactments are designed to secure that in the case of an insolvent person his assets shall be rateably distributed amongst his creditors whether he is willing that they shall be so distributed or not. Although provision may be made for a voluntary assignment as an alternative, it is only as an alternative. In reply to a question put by their Lordships the learned Counsel for the Respondent were unable to point to any scheme of bankruptcy or insolvency legislation which did not involve some power of compulsion by process of law to secure to the creditors the distribution amongst them of the insolvent debtor's estate.

In their Lordships' opinion these considerations must be borne in mind when interpreting the words "Bankruptcy" and "Insolvency" in the British North America Act. It appears to their Lordships that such provisions as are found in the enactment in question, relating as they do to assignments purely voluntary, do not infringe on the exclusive legislative power conferred upon the Dominion Parliament. They would observe that a system of bankruptcy legislation may frequently require various ancillary provisions for the purpose of preventing the scheme of the Act from being defeated. It may be necessary for this purpose to deal with the effect of executions and other matters which would otherwise be within the legislative competence of the Provincial Legislature. Their Lordships do not doubt that it would be open to the Dominion Parliament to deal with such matters as part of a bankruptcy law, and the Provincial Legislature would doubtless be then precluded from interfering with the legislation inasmuch as such interference would affect the bankruptcy law of the Dominion Parliament. But it does not follow that such subjects as might properly be treated as ancillary to such a law, and therefore within the powers of the Dominion Parliament, are excluded from the legislative authority of the Provincial Legislature when there is no bankruptcy or insolvency legislation of the Dominion Parliament in existence.

Their Lordships will therefore humbly advise Her Majesty that the decision of the Court of Appeal ought to be reversed, and that the question ought to be answered in the affirmative. The parties will bear their own costs of this appeal.

PRIVY COUNCIL.

Commercial Bank of Tasmania v. Jones and Another.

On Appeal from the Supreme Court of Tasmania.

Where there is an absolute release of the principal debtor, the remedy against the surety is gone and cannot be reserved.

B. guaranteed to the appellants certain advances to be made to W., and one of the terms of the guarantee was that the appellants might take security from or release W., and might enter into any arrangement with W. or with any other person, but that B.'s liability was not to be discharged thereby. After the advance had been made M. was accepted by the appellants as full debtor in place of W.

Held, in an action by the appellants against the executors of B. to recover the sum so guaranteed, that there was a complete novation of the debt which absolutely released W., and consequently B.'s estate was under no liability.

The facts are given in their lordships' judgment, which was delivered by Lord MORRIS.

This case comes on appeal from an order of the Supreme Court of Tasmania made on the 22nd of August, 1891. The appellants sued the respondents, as executors of James Bonney, deceased, to recover a sum of £600 under a guarantee dated the 15th of September, 1884, from James Bonney to the appellants, whereby, in consideration of advances to be made from time to time by the appellants to George Andrews Wakeham, James Bonney guaranteed to the appellants the payment on demand of all such advances not exceeding the sum of £500 *(sic)*, together with bank interest, and it was thereby provided that the said guarantee was to be a continuing and existing one for the amount from time to time due to the appellants from George Andrews Wakeham, directly or indirectly, irrespective of any moneys which might at any time or times be paid into the bank to the account of George Andrews Wakeham, or of any settlement of accounts, or of any advances beyond the moneys thereby secured, and that the guarantees might be determined by notice as therein stated; and that the appellants might at any time, with or without the consent of James Bonney, and notwithstanding his dissent, compound with George Andrews

Wakeham or any of the parties to any negotiable security received by the appellants from or on account of George Andrews Wakeham for the whole or any part of his or their liabilities to the appellants, or might give time for discharging the same or any parts thereof as the appellants might deem proper, and might take security from George Andrews Wakeham and release or discharge him or any of the parties to any bills or notes discounted by them, and might enter into arrangements with the said George Andrews Wakeham or with any other person or persons in relation thereto as the appellants might think expedient; and that no such composition, granting of time, taking of security, release, discharge, or arrangement should have the effect of releasing or in anywise affecting James Bonney's liability under the guarantee.

By indentures of mortgage, dated respectively the 31st of March, 1885, the 1st of February, 1887, and the 21st of August, 1888, Wakeham conveyed to the appellants certain properties by way of security for the advances to him. In the year 1889 Wakeham was indebted to the appellants to the amount of about £2,400, and being so indebted he entered into an agreement with one Alfred John Marshall for a nominal consideration to convey to Marshall the properties comprised in the said indentures of mortgage subject to the said mortgages. Wakeham and Marshall waited on Allonby, the manager of the appellant bank, who consented that Wakeham's liability to the bank should be transferred to Marshall. This arrangement so made between Wakeham and Marshall was not carried out as agreed between them, and instead thereof it was arranged between Wakeham, Marshall and Allonby that the bank should accept Marshall as its debtor in room and stead of Wakeham, and should with that view re-convey to Wakeham the properties mortgaged by him; that Wakeham should convey the properties to Marshall, and that Marshall should thereupon mortgage the same to the bank for the amount due.

Accordingly, by three several indentures, dated respectively the 6th of February, 1890, and made between the appellants of the one part and Wakeham of the other part, the appellants, in consideration of all moneys secured having been in each case paid, re-conveyed the properties comprised in the three several indentures of mortgage of the 31st of March, 1885, the 1st of February, 1887, and the 21st of August, 1888, discharged from all principal moneys and interest secured by the same, and from all claims and demands thereunder. By three several indentures of equal date, and made between Wakeham of the one part and Marshall of the other part, Wakeham conveyed the said properties to Marshall in fee simple.

By an indenture of the same date, and made between Marshall of the one part and the appellants of the other part, Marshall conveyed the said properties to the appellants by way of mortgage to secure the payment to the appellants of the said sum of £2,400, and any further sum which might become due by Marshall to the appellants.

James Bonney died on the 12th of April, 1890, without giving any guarantee to the appellants in respect of Marshall, although he had, according to evidence of the bank manager, agreed to do so, and that his guarantee for Wakeham should continue until he did so. The appellants, after the death of Bonney, demanded from the repondents, as his executors, payment of the sum of £600 with interest, secured by the said guarantee of the 15th of September, 1884. The respondents refused payment, whereupon the appellants brought their action to recover the amount. The case came on for trial before Dodds, J., and a jury. A verdict was given for the appellants, but leave was reserved to the respondents to move to set aside the verdict. The rule came on for hearing before the Supreme Court, consisting of the Chief Justice, Adams, J., and Dodds, J., whereupon the Court set aside the verdict and ordered a verdict to be entered for the respondents.

Their lordships concur in that judgment. It may be taken as settled law that where there is an absolute release of the principal debtor, the remedy against the surety is gone because the debt is extinguished, and where such actual release is given no right can be reserved because the debt is satisfied, and no right of recourse remains when the debt is gone. Language imparting an absolute release may be construed as a covenant by the creditor not to sue the principal debtor, when that intention appears, leaving such debtor open to any claims of relief at the instance of his sureties. But a covenant not to sue the principal debtor is a partial discharge only, and, although expressly stipulated, is ineffectual, if the discharge given is in reality absolute. In this case the acceptance of Marshall as full debtor in room and stead of Wakeham, which constituted a complete novation of the debt, necessarily operated as an absolute release of Wakeham, and it is therefore in vain to contend that such novation merely amounted to a covenant not to sue the debtor for whom the respondent was surety.

Their lordships will therefore humbly advise Her Majesty that the appeal be dismissed. The appellants must pay the costs of the appeal.—*From the Weekly Reporter, February* 17, 1894.

PROVINCE OF QUEBEC.

JUDGMENT IN COURT OF QUEEN'S BENCH.

Simpson, Appellant ; Molsons Bank, Respondent.

M. died on 12th July, 1869, and his will dated 20th April, 1860, was proved, and a copy deposited with the Molsons Bank. At the time of his death M. had 3,200 shares of stock in the bank, which were in due course transferred in the books of the bank to the names of the executors. Under the will these, with other assets, were to be held by the executors, in trust, to be divided (after a certain time) among the five sons of the testator equally, who were to have only a life interest therein. The will empowered the executors, if they saw fit, to sell any part of the estate, and in lieu thereof to apportion the proceeds of the sales.

In April, 1871, the two surviving executors, of whom one was Alexander Molson, transferred to the latter, he being one of the five legatees, 640 shares of the stock. The transfer was made as if it was an ordinary unconditional sale for money, without charging the shares with the substitution. They were the exact number of shares Alexander Molson would have been entitled to if the stock had been divided equally among the five legatees. The bank permitted the transfer, and Andrew B. Stewart, as curator of the substitution, brought action against the bank for the value of the stock and dividends.

The action was dismissed by the Superior Court on the ground that bank stocks could not be the object of a substitution. From this judgment an appeal was taken to the Court of Queen's Bench, which confirmed the judgment of the Superior Court. The majority of the Court of Appeal based their decision upon the conclusion that the shares were not specifically substituted by the terms of the will in favor of the testator's children and grandchildren. They unanimously rejected the view, on which the judgment of the Superior Court was based, that substitution was not allowed in respect to movables under the law of the province.

Mr. Justice HALL concurred in the judgment, but on another ground, that the stipulation in the will that the property should be bequeathed by substitution was a trust imposed on the executors, the fulfilment of which the bank was not bound to see to. He quoted the clause in the Bank Act of 1871: "The bank shall not be bound to see to the execution of any trust, whether expressed, implied, or constructive, to which any share or shares of its stock shall be subject," and added, "What can be the object and effect of this clause if it is not pertinent to and controllable of the present case, I cannot understand." "The only questions which the bank were bound to investigate were the *quality* and the *powers* of the vendors. In these respects the test was complete. The vendors were two of the executors, and one of them was William Molson, whose participation in such sale was specially required by the will. Their powers were ample, for the testator had expressly stipulated that it should be competent for them to sell. The division of the shares in the exact terms of the will would have required the *pro forma* transfer by Alexander Molson and one of the other executors to Alexander Molson as legatee, but the executors should in such a case have seen to it either that the condition of the substitution appeared in the transfer, or that the money, or other property accepted by them as a consideration for the sale and transfer, was properly invested and entailed as affected by the substitution. * * * The executors had ample powers to sell the shares, but were under an obligation to protect the substitution. No one could have complained of their action had they carried out the trust imposed upon them, and caused an equivalent portion of the estate to be properly substituted. If the condition of substitution was omitted in this case, the bank had a right to presume that the executors had discharged their trust in this respect, by securing its recognition upon the proceeds of the said sale or other property of equivalent value."

The learned judge remarked on the onerous burden which a contrary rule would impose on all incorporated companies, and in discussing the case of *Simpson* v. *Bank of Montreal*, pointed out the distinction between that case and the present. "In that case this Court, and eventually the Privy Council, held that a sale of bank shares made by a tutor, unauthorized by a family council, was invalid." "That judgment was based upon the total lack of legal right on the part of a tutor to make such a sale." The case under consideration presents the exact contrast to that of *Simpson* and *Bank of Montreal*. In the latter the vendor had neither the quality nor the authority to sell, while in the present case the executors had all the apparent qualifications necessary for such a transaction, and only fell short of their duty in giving effect to the trust which the will had imposed on them, and from attention to which the bank was specially exempted.

THE RETIRED PARTNER.

In February a judgment of great importance was delivered by the Court of Appeal (England), in the case of *Rouse* v. *Bradford Banking Co.*, in which some difficult questions arising out of the law of principal and surety were dealt with. The case itself is somewhat too long for our columns this quarter, but the points involved are well put in the remarks of the *Solicitors' Journal*, which we quote:

"The question of greatest importance which was dealt with was whether, where there are two persons who at the date of incurring a debt are both liable as principal debtors, but who afterwards, as between themselves, convert such liability into that of principal and surety, and the creditor has notice of this change, the creditor is so affected that he cannot give time to the principal without discharging the surety, unless he expressly reserves his remedies against the surety. This question of law will be found so exhaustively treated in the judgments of the learned Lord Justices, that it is only of immediate practical importance to note that the point is one which has exercised the intellects of numerous learned judges, including certain distinguished members of the House of Lords, for many years, the conflict chiefly raging around the decision of *Oakley* v. *Pasheller* (10 Bli. N. S. 548), and what precise point in that case the House of Lords really did decide. This case was decided in the year 1836, and since that time has been commented on in numerous decisions, and disposed of, as was thought finally, by the decision of COCKBURN, C. J., and BLACKBURN, J., in *Swire* v. *Redman* (1 Q. B. D. 536).

"The whole question has now, by the case just decided, been reopened by the Court of Appeal, who (A. L. Smith, L.J., dissenting on this point) have held that the judges in *Swire* v. *Redman* put a wrong construction on the effect of the decision of the House of Lords in *Oakley* v. *Pasheller*, and that it is the law that a creditor is affected by notice that one of his principal debtors has, as between himself and his co-debtor, converted himself into a surety, and is bound to recognize that altered position, and if he grants any indulgence to the co-debtor which would discharge a surety, the other debtor is thereby discharged."

In the particular case before the Court the Plaintiff was a retired partner, and the debts of the partnership had been assumed by the continuing partners, the Plaintiff thereby becoming a surety. The firm's debt to the bank from the time of dissolution had been kept in a separate account, and not merged in the new advances. Some years after the dissolution an agreement was made between the bank and the continuing partners, giving them time for the old debt, but without specially reserving their rights against the Plaintiff, whom they knew to be, as between the parties, a surety. The Court was divided as to the result of this agreement, but the majority held the Plaintiff liable, on the ground that the deed of dissolution impliedly authorized the creditor to give time for payment.

"Subject to further elucidation in a higher Court, or by subsequent cases, it cannot be considered as settled whether a creditor of a dissolved firm is bound to recognize the position of a retired partner as surety, when he is dealing with the continuing partners in respect of debts of the old firm. As to *Swire* v. *Redman*, it is not clear whether the effect of this variegated decision of the Court of Appeal is sufficient to overrule its authority, especially as the *ratio decidendi* of the majority of the Court turned upon the construction of the deed of dissolution. For this reason, if for no other, it is to be hoped that, in the interests of the mercantile community in general, now that the question has been reopened and the authority of *Swire* v. *Redman* shaken, the case may be finally settled by the House of Lords.

" Whatever may be the legal effect of the balance of judicial authority for or against the view of the law taken by the majority of the Court of Appeal on this point, the question remains whether it is not open to criticism on other grounds, and whether the decision of *Swire* v. *Redman* was not in accordance with the principles of justice and common sense. The view of the Court of Appeal does seem to inflict a hardship on the creditor, and to be opposed to the general principle that a transaction between two parties ought not to operate to the disadvantage of a third. It is true that a creditor, after notice of the altered position, may reserve his remedies against this principal-surety-debtor, but is not this to impose on him an additional burden and to add a term to his original contract ?

" Under his original contract the partners were principal debtors, and it is settled law that, before notice of any change, he was at liberty to give time to one partner without prejudicing his right of recourse against the other. Is the effect of mere notice, then, sufficient to deprive him of this contractual right, and to impose on him the obligation of expressly reserving his remedy against the retired partner, with the alternative of inadvertently discharging him from all liability ?

" Meanwhile the practical effect of the case will be that banks and other creditors will have to be careful, whenever, after a change in a firm, they grant indulgence to continuing partners in respect of old partnership debts, to expressly reserve all remedies against the retired partner."

STATEMENT OF BANKS acting under Dominion Government charter for the month ending 31st December, 1893, with comparisons :

LIABILITIES.

	Dec., 1893.	Nov., 1893	Dec., 1892.
Capital authorized	$ 75.458.685	$ 75.458.685	$ 75,958.685
Capital paid up	62,099.243	62,090.355	61,938.515
Reserve Fund	26,459,815	26,213 861	25,086,615
Notes in circulation	$ 34.418,936	$ 35.120,561	$ 36,194.023
Dominion and Provincial Government deposits	6,377.276	5.762,992	7.397.626
Public deposits on demand	62.594.075	62,926,785	68,694.266
Public deposits after notice	107,885,149	104.414.955	101,526,186
Bank loans or deposits from other Banks secured	....	....	150,000
Bank loans or deposits from other banks unsecured	2,421,394	2,947.491	2,764,171
Due other banks in Canada in daily exchanges	200,476	268,156	180,811
Due other banks in foreign countries	166,966	131,778	127,480
Due other banks in Great Britain	4,151,804	4.419.033	4,120,996
Other liabilities	446,796	779.634	474.426
Total liabilities	$218,662,965	$216,771,481	$221,567,771

ASSETS.

Specie	$ 7,691,331	$ 7.589.418	$ 6,720,500
Dominion notes	13,287,292	13,041,516	12,381,108
Deposits to secure note circulation	1,818,571	1,818,571	1,761,259
Notes and cheques of other banks	8,323,753	7,047.402	8,746,293
Loans to other banks secured	....	5,000	....
Deposits made with other banks	3,630 883	3,673,219	3,616,137
Due from other banks in foreign countries	18,229,248	16,242,571	21,688,396
Due from other banks in Great Britain	3,540,220	4,827,660	1,036,344
Dominion Government debentures or stock	3,191,383	3,191,383	3,328,082
Public municipal and railway securities	15,674,536	16,439,315	14,858,269
Call loans on bonds and stocks	14,236,629	14,465,113	19,957,943

	Dec , 1893.	Nov , 1893.	Dec., 1892.
Loans to Dominion and Provincial Governments........	$ 2,263,712	$ 1,730,685	$2,447,234
Current loans and discounts...	200,397,498	201,996,246	198,532,160
Due from other banks in Canada in daily exchanges..........	173,697	118,925	140,885
Overdue debts....	3,040,078	3,099,648	2,387,268
Real estate	834,480	826,043	1,007,287
Mortgages on real estate sold..	636,540	649,844	798,699
Bank premises	5,132,156	5,123,699	4,661,621
Other assets	1,129,385	1,569,404	1,711,416
Total assets.............	$304,231.696	$303,455,870	$305,730,910

Average amount of specie held during the month	$7,511,931	$7,298,948	$6,395,160
Average Dominion notes held during the month..........	12,901,539	12,839,384	11,615,017
Loans to directors or their firms	8,380,891	7,729,950	7,126 495
Greatest amounts of notes in circulation during month	36,850,205	37,834,627	37,443,837

STATEMENT OF BANKS acting under Dominion Government charter for the month ending 31st January, 1894, with comparisons:

LIABILITIES.

	Jan., 1894.	Dec., 1893.	Jan., 1893.
Capital authorized............	$ 75,458,685	$ 75,458,685	$ 75,958,685
Capital paid up	62,103,027	62,099,243	62,040,950
Reserve Fund................	26,580,282	26,459,815	25,131,057

Notes in circulation	$ 35,571,375	$ 34,418,936	$ 32,831,747
Dominion and Provincial Government deposits	6,821,516	6,377,276	6,575,367
Public deposits on demand....	60,152,080	62,594,075	67,459,632
Public deposits after notice....	108,966,924	107,885,149	102,097,119
Bank loans or deposits from other banks secured	....	....	125,000
Bank loans or deposits from other banks unsecured	2,361,656	2,421,394	3,466,818
Due other banks in Canada in daily exchanges	271,184	200,476	140,975

	Jan., 1894.	Dec., 1893.	Jan., 1893.
Due other banks in foreign countries	$ 188,480	$166,966	$81,461
Due other banks in Great Britain	4,174,864	4,151,804	4,100,333
Other liabilities	296,245	446,796	322,354
Total liabilities	$213,804,414	$218,662,965	$217,200,893

ASSETS.

	Jan., 1894.	Dec., 1893.	Jan., 1893.
Specie	$ 7,400,013	$ 7,691,331	$ 6,652,563
Dominion notes	13,918,640	13,287,292	13,043,374
Deposits to secure note circulation	1,818,571	1,818,571	1,761,259
Notes and cheques of other banks	6,520,505	8,323,753	6,941,152
Loans to other banks secured..	....	....	125,000
Deposits made with other banks	3,082,626	3,630,883	3,982,576
Due from other banks in foreign countries	17,570,408	18,229,248	21,626,627
Due from other banks in Great Britain	3,356,703	3,540,220	1,432,549
Dominion Government debentures or stock	3,188,463	3,191,383	3,285,975
Public municipal and railway securities	17,339,570	16,674,536	14,606,860
Call loans on bonds and stocks	14,013,729	14,236,629	15,833,578
Loans to Dominion and Provincial Governments	1,974,925	2,263,712	2,447,234
Current loans and discounts ..	198,037,104	200,397,498	198,532,160
Due from other banks in Canada in daily exchanges	67,003	173,697	112,375
Overdue debts................	3,167,026	3,040,078	2,387,268
Real estate	798,381	834,480	1,007,287
Mortgages on real estate sold ..	641,712	636,640	798,699
Bank premises................	5,200,167	5,132,156	4,061,621
Other assets..................	1,461,771	1,129,385	1,711,416
Total assets	$299,557,507	$304,231,696	$305,730,910

	Jan., 1894.	Dec., 1893.	Jan., 1893.
Average amount of specie held during the month	$ 7,348,904	$ 7,511,931	$ 6,305,160
Average Dominion notes held during the month	12,496,372	12,901,539	11,615,017
Loans to directors or their firms	8,245,956	8,380,891	7,126,405
Greatest amount of notes in circulation during month	34,166,689	36,850,205	37,443,837

STATEMENT OF BANKS actig under Dominion Governme charter for the month eding 28th February, 1894, with comparisons :

LIABLITIES.

	Feb 1894.	Jan., 1894.	Feb., 1893.
Capital authorized	$ 7558,685	$75,458,685	$75,958,685
Capital paid up	6205,409	62,103,027	61,943,791
Reserve Fund	2655,024	26,580,282	25,263,960
Notes in circulation	$ 30[illegible]3,267	$ 35,571,375	$ 32,978,840
Dominion and Provincial Government deposits	633,882	6,821,516	6,019,539
Public deposits on demand	59,[illegible]1,162	60,152,080	66,822,851
Public deposits after notice	108,[illegible]0,761	108,966,924	103,140,204
Bank loans or deposits from other banks secured	....	....	125,000
Bank loans or deposits from other banks unsecured	2,[illegible]0 423	2,361,656	3,167,869
Due other banks in Canada in daily exchanges	[illegible]1,277	271,184	108,791
Due other banks in foreign countries	[illegible]6,572	188,480	87,710
Due other banks in Great Britain	4,[illegible]6,497	4,174,864	4,766,619
Other liabilities	[illegible]5,704	296,245	397,465
Total liabilities	$212,[illegible]0,625	$213,804,414	$217,614,977

ASSTS.

Specie	$ 7,5[illegible],281	$ 7,400,013	6,558,156
Dominion notes	13,9[illegible],326	13,918,640	13,233,280
Deposits to secure note circulation	1,8 ,571	1,818,571	1,761,259
Notes and cheques of other banks	6,3[illegible],758	6,520,505	7,203,054
Loans to other banks secured	....	....	125,000
Deposits made with other banks.	2,8[illegible],550	3,082,626	3,922,736
Due from other banks in foreign countries	15,4[illegible],984	17,570,408	21,397,371
Due from other banks in Great Britain	2,8[illegible],089	3,356,703	1,159,930
Dominion Government debentures or stock	3,18463	3,188,463	3,285,975
Public municipal and railway securities	17,69817	17,339,570	14,265,425
Call loans on bonds and stock	14,78002	14,013,729	19,456,180

	Feb 1894.	Jan., 1894.	Feb., 1893.
Loans to Dominion and Provincial Governments........	$ 1,33,244	$ 1,974,925	$ 1,056,916
Current loans and discounts ..	199,3,609	198,037,104	197,709,554
Due from other banks in Canada in daily exchanges..........	25,103	67,003	116,302
Overdue debts	3,06,637	3,167,026	2,297,630
Real estate	8,119	798,381	1,011,715
Mortgages on real estate sold..	29,959	641,712	774,375
Bank premises	531,824	5,200,167	4,831,276
Other assets	1,28,895	1,461,771	1,585,737
Total assets............	$29952,441	$299,557,507	$301,752,118
Average amount of specie held during the month	737,537	7,348,904	6,516,132
Average Dominion notes held during the month	1367,880	12,496,372	13,095,234
Loans to directors or their firms	811,889	8,245,956	7,186,872
Greatest amount of notes in circulation during month	3123,316	34,166,689	33,736,404

Continuation of MONTHLY TOTALS OF BANK CLEARINGS for 1892-93, at the cities of Montreal, Toronto, Hamilton and Halifax, as reported to the JOURNAL.

	MONTREAL.		TORONTO.		HAMILTON.		HALIFAX.	
	1892.	1893.	1892.	1893.	1892.	1893.	1892.	1893.
	$	$	$	$	$	$	$	$
December ..	53,334,498	45,108,976	32,157,099	25,398,315	3,716,428	3,147,810	5,289,252	4,884,773
Previously reported ..	536,714,840	523,630,088	294,407,224	283,880,174	34,576,830	34,677,166	54,583,631	55,917,018
	590,049,338	568,739,064	*326,564,323	*309,278,489	38,293,258	37,824,976	59,872,883	60,801,791

MONTHLY TOTALS OF BANK CLEARINGS for two months of 1893-94, at the cities of Montreal, Toronto, Hamilton, Halifax and Winnipeg.

	MONTREAL.		TORONTO.		HAMILTON.		HALIFAX.		WINNIPEG.	
	1893.	1894.	1893.	1894.	1893.	1894.	1893.	1894.	1893	1894.
	$	$	$	$	$	$	$	$	Began operations 4th Dec.	$
January	50,498,973	42,796,705	30,226,941	27,267,606	3,292,386	3,087,576	5,044,466	4,931,374		4,318,346
February ..	46,149,389	35,478,026	23,704,495	19,209,967	2,830,935	2,671,799	4,202,569	3,981,482		3,132,537
	96,648,362	78,274,731	*53,931,436	*46,477,573	6,123,321	5,759,375	9,247,035	8,912,856		7,450,883

*NOTE.—These totals do not include the clearings of the Bank of Toronto.

CONSTITUTION OF THE CANADIAN BANKERS' ASSOCIATION.*

AS ADOPTED 17TH DECEMBER, 1891, AND AMENDED 7TH AND 8TH JUNE, 1893.

PREAMBLE.

It being desirable that the chartered Banks of Canada, together with their officers, should be united for the purpose of mutual advantage, it was decided at a meeting held in Ottawa on February 12th, 1890, that an Association should be formed for the purpose.

ARTICLE I.

This Association shall be called the Canadian Bankers' Association, and shall consist of Members and Associates.

ARTICLE II.

The Members of this Association shall consist of the chartered Banks of Canada who have already expressed willingness to become members, and of such others as notify their desire to become members. Such Banks shall act in all matters relating to this Association by their chief executive officers.

For the purposes of this Association the chief executive officer of the bank shall be the General Manager or Cashier, or, in their absence, the officer next in authority. Where the President or Vice-President of a bank performs the duties of a General Manager or Cashier, he shall be deemed chief executive officer, and in his absence the officer next in authority shall vote.

Such officers shall be Associates, *ex-officio.*

The Associates of this Association shall consist of such bank officers as have already expressed willingness to become Associates, and of such other bank officers as shall be duly elected at a meeting of the Executive Council, or at an annual meeting.

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* The Constitution is reprinted at the request of the Secretary, as the Annual Report is out of print.

ARTICLE III.

as amended 7th June, 1893.

The subscriptions for Members shall be as follows:—

For Banks with a paid-up capital stock of under $500,000,	$ 40
" " $500,000 and under $2,000,000,	60
" " $2,000,000 " $3,000,000,	150
" " $3,000,000 and over.................	250

The subscription for Associates shall be one dollar annually. All subscriptions shall be payable on or before the first day of February in each year.

ARTICLE IV.

The objects of the Association shall be to carefully watch proposed legislation and decision of the Courts in matters relating to banking and to take action thereon ; also to take such action as may be deemed advisable in protecting the interests of the Contributories to the Bank Circulation Redemption Fund, and all other matters affecting the interests of the chartered banks.

It shall also be competent for the Association to promote the efficiency of bank officers by arranging courses of lectures on commercial law and banking, by discussions on banking questions, by competitive papers and examinations. Prizes may be offered for proficiency, under the direction and control of the Executive Council.

ARTICLE V.

The voting on all subjects shall be by Associates, except the following, on which Members only shall be permitted to vote :

1. Election of officers.
2. Action relating to proposed legislation.
3. Passing of By-laws.
4. Adding to or amending Constitution.
5. All other subjects on which general action by the banks is contemplated.

Each member shall have one vote and the chairman a casting vote.

ARTICLE VI.

The officers of the Association shall have two Honorary

Presidents, a President, and four Vice-Presidents. These shall be elected at the annual meeting. All elections shall be by ballot without nomination.

A Secretary-Treasurer, who shall be an officer, or an ex-officer of a Bank, shall be appointed by the Executive Council, and remunerated in such manner as the said Council may determine; the terms of his engagement to be regulated by the Executive Council.

ARTICLE VII.

as amended 7th June, 1893.

The Executive Council shall consist of the President and Vice-Presidents of the Association, and *nine* Associates to be qualified to act as chief executive officers of Banks—these Associates to be elected by the Members at the annual election of officers. Five shall constitute a quorum.

The Honorary Presidents shall also have seats at the Council.

ARTICLE VIII.

Any Member not represented at a meeting of the Association by one of the officers named in Article II., may vote by proxy, provided such proxy is held by a Member or by an Associate who is an assistant general manager or assistant cashier of a Bank, or branch manager of a city office. Should any of the persons constituting the Executive Council be unable to attend at a meeting called, he may be represented by proxy, provided such proxy is held by a Member or by an Associate, as before specified by this and the preceding article.

ARTICLE IX.

The Association shall have power to appoint a Solicitor and to fix his remuneration, for either general or special services, and also to engage Counsel where such services may be needed.

ARTICLE X.

Sub-sections of the Association may be constituted, and may frame By-laws for their guidance, subject to the provisions of the Constitution and By-laws of the Association.

ARTICLE XI.

The first Annual Meeting of the Association shall be held at

Montreal during the month of May next, the day to be fixed by the Executive Council. All subsequent annual or other meetings of the Association shall be called by the Executive Council, to be held at a time and place to be decided by that Council. A special meeting of the Association may be called at any time by the Executive Council, or shall be called by the President or Secretary-Treasurer on the requisition of at least ten members of the Association; thirty days notice to be given of the annual or any special meeting of the Association.

ARTICLE XII.

By-laws may be framed not inconsistent with the provisions of this Constitution.

ARTICLE XIII.

Additions and amendments may be made to this Constitution at any annual meeting by a vote of not less than two-thirds of those present and entitled to vote personally or by proxy, but one month's notice shall be given thereof, addressed to each member of the Executive Council.

ARTICLE XIV.

No resolution passed by the Association or by the Executive Council shall be considered as compulsory, or as enforcing, necessarily, any action of any kind upon the Banks.

JOURNAL

OF THE

CANADIAN BANKERS' ASSOCIATION.

VOL. 1. JUNE, 1894. No. 4.

EDITORIAL NOTES

THE COMING MEETING AT HALIFAX.

The annual meeting of the Association this year, as the Associates are aware, is to be held at the City of Halifax, on the 26th, 27th and 28th July. The Halifax bankers are preparing with much enthusiasm for the entertainment of their guests; they urged the dates which have been chosen in order that visiting Associates should have an opportunity of witnessing a naval review which is to take place on the 28th, and they have also arranged that the Regatta of the Halifax United Banks should be held on that date. One of the Halifax bankers, in a private letter to a confrère in the west, writes, "we intend to surprise our visitors."

The 26th and 27th will be given up to the business of the meeting, and the dinner—to which all Associates attending will be invited—will be given on the evening of the 27th. Papers on banking subjects will be read, and the meeting promises to be unusually interesting and profitable.

The Executive are glad to be able to state that the railway companies have consented to quote a very low fare, as to which an announcement will be made to the Associates in a few days.

The opportunity of an inexpensive trip to the Maritime

Coast is one not often presented, and it is hoped the inducements offered may result in a large attendance of Associates.

LEGAL DECISIONS.

The case of *Union Bank* v. *O'Gara*, the main facts of which are reported in this number, has not as much special significance for bankers as at first sight might appear. We believe that the trial Judge was correct in his judgment, and that the learned judgment of Mr. Justice Sedgewick was based on a partial view of the facts, but on the facts as set out by the latter no other conclusion than that he reached was possible. He assumes that as a condition of the endorsement there was an equitable assignment, under an agreement to which the lender as well as the borrower was a party, that the moneys from the contract should be paid into the bank for the endorser's protection ; that the bank deliberately permitted a violation of the terms of this assignment ; and that the endorser was therefore discharged. If these *are* the facts, there is nothing new in the judgment in the matter of law, but the report seems to show other facts which seriously modify the basis on which the judgment rests. Even on the severe view taken by Mr. Justice Maclennan, that the bank abandoned or neglected to collect a valid claim on the railway company for $24,900, it would seem to be more consonant with the principles of equity that at most there should be a discharge *pro tanto*.

The broad principle laid down by Judge Blackburn in *Polak* v. *Everett*, is this : " If the creditor intentionally violates " any rights the surety had when he entered into the suretyship, " even though the damage be nominal only, he shall forfeit the " whole remedy." But he distinguishes cases where the complaint is that the creditor has by his laches not recovered from the securities all that he might, ought and should have made out of them, holding that in such cases he is bound to allow for the sum he ought to have made, but that the surety is not thereby discharged from the balance of the debt.

In *Sheffield Banking Co.* v. *Clayton*, an important case tried in 1888, another point in the law respecting suretyship was discussed. There has no doubt been a very common impression among bankers that the principal creditor is entitled to the benefit of the security which an endorser or surety holds, but the judgment in this case shows that this general view of the law needs to be very much qualified. The point involved was the right of a creditor to the benefit of certain securities held by the surety by way of indemnity, which he received in part from one of the principal debtors, and in part from a third person. In deciding the case, the Court expressed the view that the principal creditor has no claim on collateral security given by the principal debtor to the surety, and that a surety is not in any sense a trustee for the creditor.

There is no doubt, as we have said, that this view runs counter to the general opinion on this point, but it does not follow that the general opinion is incorrect in respect to the ordinary transactions with which we have to deal. It has been pointed out that this was not a case of security given for a debt, but of an indemnity against liability on the part of a surety, which distinguishes it from the ordinary form such transactions take. The usual way in which the question comes up among us is in connection with notes discounted for, or accepted as security from an endorser who holds security from the makers. This security is not against his liability as surety, but for the payment of the debt, and the endorser in transferring the debt, would, it is thought, transfer also a claim on the security appertaining thereto. His relation to the bank is in fact not that of an ordinary surety at all.

If, however, money was advanced to the maker of a note, the endorser on which had received security to protect him from his liability, no doubt in the absence of any special agreement the principle laid down in *Sheffield Banking Company* v. *Clayton* would apply.

The case of La Banque Nationale vs. Ricard *et vir*, which is briefly reported for us by Mr. Frederic Hague, touches a point of law as to married women, peculiar to Quebec. If the judgment stands, as we presume it will, it is established that no married woman in that province can in any way become responsible for her husband's debts. There are cases on record where a debtor to whom the wife has paid money in satisfaction of her husband's debts, has some years after been forced to return the same. It is clear that all dealings which would have to rest for their safety upon the wife's responsibility should be rigidly eschewed.

QUESTIONS ON POINTS OF PRACTICAL INTEREST.

Attention is directed to the announcement made in this number under the above heading. Associates are invited to make the freest use of the privilege offered. Questions may be asked on matters of banking practice as well as on legal points. New and intricate legal points are constantly arising, a discussion of which in this column would be of great interest; but apart from this, a very large number of the younger bank men are stationed at outlying branches where information even on matters in which the practice or the rules of law, as the case may be, are well established, is not readily obtainable. If the latter avail themselves of the services of the JOURNAL in this matter, the Committee will be pleased. The JOURNAL is published for the benefit of the Associates, and the efforts of the Committee will be directed to conduct it upon lines which will best conduce to the attainment of the object for which it was instituted.

THE SUPPLEMENT.

The Committee think it well to state that the issue of a supplement with this number, containing the report of the two first annual meetings of the Association, is for the purpose of completing the permanent record of the formation of the Association. Hereafter, the report of the proceedings of the annual meeting will be published in brief form in the JOURNAL.

THE LATE MR. BRODIE.

Through the removal by death of Mr. John Lowe Brodie, the Managing Director of the Standard Bank of Canada, recently, banking circles have suffered a severe loss. Mr. Brodie died at his residence on Sherbourne Street in the afternoon of Monday the 18th instant. He was born at Cupar Angus, Perthshire, Scotland, in the year 1839, and consequently was fifty-five years of age at the time of his death. He received the greater part of his education at The Dollar Academy, Clackmannanshire. At the age of sixteen years he entered the service of the Commercial Bank of Scotland in the town of Alloa, from whence he was removed to Edinburgh, and during his six years' service with that institution he received that thorough training in the principles and practice of banking of which he spoke in after years as having laid the foundation of his success as a banker. On leaving the service of the Commercial Bank at Edinburgh, he entered the employ of the Chartered Bank of India at London. After a residence of two years in the metropolis, he was transferred to the Bombay branch of the Bank in India, where he discharged his responsible duties to the entire satisfaction of the direction of the institution. Unfortunately his health broke down, and he was obliged to leave India. After a brief residence in Wisconsin, where he engaged in farming for the purpose of recuperating his health, he came to Canada and connected himself with the Royal Canadian Bank, where he remained until the year 1875. In that year he was appointed Cashier of the old St. Lawrence Bank, which was then, as is well known, laboring under great difficulties. He had its name changed to the Standard Bank of Canada, and his eminently successful management of the institution is too well known to business men in Canada, to call for particular comment. He became a member of the Toronto Board of Trade in 1883, and was a member of the Executive Committee of the Bankers' Section of the Board, of which he became Chairman in 1893.

He was married in 1870 to Miss Adeline J. H. Lowe, daughter of Commodore William Lowe, H.M.I.N., who with four children survive him.

Mr. Brodie always conducted his banking operations in accordance with the strict rules of practice in which he was so thoroughly grounded during his connection with the Commercial Bank of Scotland. He was a man of much geniality of temperament, and although not disposed to make many friends, was much beloved by all with whom he came in personal contact. His loss will be greatly felt by the Bank, and by many business men with whom he was brought in daily intercourse. It need hardly be said that his relations with the bankers in Toronto, without exception, were always of the most friendly character, and the attendance at his funeral of the Bankers' Section in a body, and of many bank directors and officials, bears testimony to the esteem with which he was regarded by them all.

PRIZE ESSAY COMPETITION, 1893-1894. AWARD.

The results of the recent essay competition were duly announced in the following circular to the Associates:

At a meeting of the Executive Council held 14th February, 1894, it was decided that the committee to examine the Prize Essays should consist of four officers of not lower grade than that of Manager, selected from four different banks, and the Secretary-Treasurer. In accordance with this resolution, four of the examiners appointed were gentlemen of the rank of Manager and Inspector selected from two banks with head offices in Montreal, and two banks with head offices in Toronto. The committee have now concluded their examination, and their unanimous award is as follows:

SENIOR SUBJECT.

1. What have been the causes and results of the late financial crisis in the United States, and what can Canadian bankers learn therefrom?

2. What is the best course for a banker to take during and after a financial crisis, or a period of great financial stringency?

The two questions being dealt with in one paper.

First prize, $100.—"Ut Supra." VERE C. BROWN, Canadian Bank of Commerce, Toronto.

Second prize, $60.—"Saxon." F. G. JEMMETT, Canadian Bank of Commerce, Parkhill.

JUNIOR SUBJECT.

What are the special subjects necessary to the education of a good bank official in Canada, and in what ways may he make himself of most service to a bank, and thereby place himself on the best road to promotion?

First prize, $60.—"Scribbler." D. M. STEWART, Canadian Bank of Commerce, New York.

Second prize, $40.—"Aurum et Argentum." FRANCIS A. BRODIE, Bank of Toronto, Montreal.

On the senior subject 14 essays were submitted from employés of the following banks: Bank of British Columbia, 1

Essay; Bank of British North America, 3; Bank of Ottawa, 1; Bank of Toronto, 1; Canadian Bank of Commerce, 5; Eastern Townships Bank, 1; Merchants' Bank of Canada, 2.

On the junior subject 21 papers were submitted from employés of: Bank of British North America, 4 Essays; Bank of Ottawa, 1; Bank of Toronto, 2; Canadian Bank of Commerce, 7; Merchants' Bank of Canada, 4; Molsons Bank, 1; Union Bank of Canada, 1; Unidentified, 1.

The arguments and citations of each essayist were drawn from his paper and committed to writing in short form, care being taken to weigh not only the correctness of the arguments advanced, but to make certain that the writer had properly grasped his subject. Heed was also given to clearness of arrangement and general literary style, and marks apportioned for each.

The papers were not read by any person outside of the committee.

In accordance with the rule laid down the prize papers become the property of the Association.

All papers have been returned to the Secretary-Treasurer, to whom any correspondence should be addressed.

W. W. L. CHIPMAN,
For the Committee.

Montreal, June 9th, 1894.

THE CRISIS IN THE UNITED STATES.

PRIZE ESSAY, BY VERE C. BROWN.

What have been the causes and results of the late financial crisis in the United States, and what may Canadian Bankers learn therefrom?

In the much that has been written by Americans on the subject of the recent crisis, the cause thereof is with few modifications put down to silver legislation. Speaking in a general way, it is quite true; the country's silver policy could not under any conceivable circumstances but have ended in disaster at some time, and accepting conditions as they were, it undoubtedly stands out as the prominent cause. No statement of the situation, however, could be complete which did not recognize the part played by an unscientific and irresponsible banking system, and a currency system defective in other respects than merely as regards the steadily increasing proportion based on silver. The demonstration of the working of these influences involves a review of the conditions leading up to the final situation. For the sake of completeness I may be permitted to go back for a moment as far as the date of the passage of the Bland Act.

The purchases of silver under this Act commenced in 1878, the minimum amount of which was to be $2,000,000 per month and the maximum $4,000,000. Purchases were continued up to the end of the last fiscal year, the Act of 1890 merely altering the amount to be purchased to 4,500,000 *ounces* per month. The notes issued under the Act of 1890 are a legal tender, but the entire silver issues are, at the Government's option, redeemable in silver. No arrangement was ever made for a proportionate reserve of gold for the redemption of the silver notes, and the only fund out of which the Government proposed to redeem them was the gold balance kept in the Treasury for the ordinary expenditures of the Government, the result of the balance of Revenue and Expenditure. This balance, at one time amounting to about $100,000,000,* for a few years past has averaged something like 30 to 40 millions only, and when the enormous expenditures of the Government (which have not for some years fallen very much short of the fluctuating revenue), and the large and increasing volume of outstanding silver certificates are considered, the element of danger always attending the Government's silver policy can be properly appreciated. The Secretary of the Treasury had power to procure gold by an issue of bonds, if necessary in order to redeem the circulation, but that the Government should not have thought it necessary to exercise this power immediately the decreasing gold reserve commenced to bear insignificant proportions to the great mass of silver notes outstanding, can only be understood—even allowing for political exigencies—on the theory that the leaders of the Government utterly failed to appreciate the real dangers of a policy which they were earnestly deprecating.

At the resumption of specie payments in 1879, the paper currency of the country consisted of $347,000,000 of greenbacks, to redeem which a sum of $100,000,000 of gold had been accumulated, and $329,000,000 of notes issued under the National Bank system. The contraction of the currency which had been effected at this time, would seem to have been somewhat greater than was necessary, for $25,000,000 odd of silver certificates which were annually poured into the country appear for some years to have been readily absorbed, while from 1884 to 1890 the increase of silver currency did little more than fill the gap caused by the shrinkage of the National Bank circulation due to the retirement of Government bonds, so that up to this date the silver purchases had resulted in very little increase to the currency. The effect upon the volume of paper since then, however, can be best illustrated by the following diagram. I omit the figures of the gold certificates, which do not effect any increase in the currency, since an equivalent amount of the country's gold stock is surrendered into the custody of the Treasury to be held intact against them.

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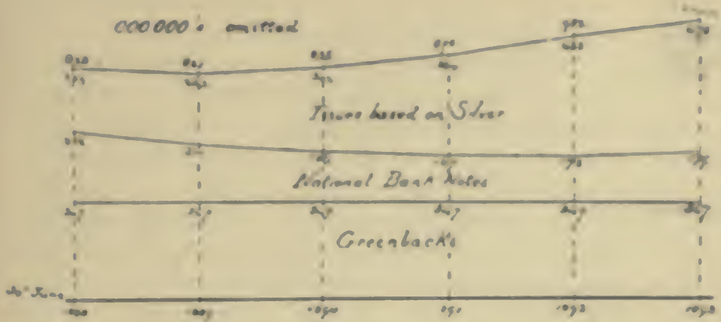
* This is to be distinguished from the $100,000 000 reserve held as the basis for the Greenback issues.



Thus we see that the volume of the currency was increased between 30th June, 1890, and the same date in 1893, by $169,000,000. Writing at this late date, in the light of the events leading up to the panic, we may accept as something too patent to call for proof that the result of this was an undue inflation of the currency. This brings us at once to the discussion of the part which a defective currency system has played in bringing about the crisis.

Paper currency based on the credit of the issuer may be issued without limitation only where the system sets in motion forces which ensure every dollar of the amount in circulation being presented to the issuer for redemption immediately it is not required by the *public* in the transaction of business. In this case, the issuers being compelled for their own protection to maintain at all times an adequate reserve, there can be no over-issue due to fault in the system.

In a system where there is nothing to impel notes back for redemption immediately they are not required by the public, there is a strict limit to the amount of currency which may be issued based upon credit, without danger of mischief, and everything beyond this should be represented by an equivalent in gold. This limit is such that should redemption take place until the amount of the notes outstanding reaches the lowest point to which it is conceivable it could go under normal conditions, the gold held for the issues in excess of this credit limit would form a proportionate reserve for the entire amount remaining in circulation. In such a case also there can be no over-issue, since any increase in the currency is merely the measure of the increase of the gold reserve.

It used to be held that the mere fact that a paper currency was redeemable in gold on demand, rendered an over-issue impossible, and this ground was strongly taken in the controversy respecting the Bank of England issues carried on for some years before the passage of the Act of 1844, by men whose names are among the foremost of English economic writers. They had not, however, foreseen the situation which has since been created in the United States; it remained for the Americans to demonstrate that the principle they then laid down was limited in its application to currency issued under the two conditions set out above.

For the present purpose we may ignore the fact of the Government's holdings of silver against a large part of the circulation, since, unless faith was broken with the people, this metal was not available for its redemption ; the situation would have been practically the same had the Government purchased and hidden away like values of lead or copper and issued in payment paper redeemable in gold. The point is that the Government was pouring into the channels of commerce upwards of $25,000,000 of currency per annum, without any attempt to accumulate an adequate gold reserve. To such an extent as this supplied the somewhat increased volume of currency carried in the tills and pockets of the people, which it is presumable a rapidly increasing population rendered necessary, it was not an over inflation, since to this extent it was merely obviating a strain upon the world's gold supply, but it is of course clear that by far the larger portion of this increase found its way almost immediately into the hands of the Banks. So long as there existed absolute faith in the ability and determination of the Government to redeem these in gold, there was no motive to impel the Banks to send them forward for redemption—on the contrary the cost of shipping the notes one way and the gold the other was an effectual deterrent force, and so they remained outstanding as so much money.

This defect in the currency system is chargeable in two ways with a share of responsibility for the crisis.

In the first place, had the excess of circulation brought about by the issue of silver certificates been thrown back on the Treasury for redemption from time to time immediately there was a redundancy, the necessity then for a provision of gold, obtained by the sale of bonds or otherwise, would have brought the silver question to an issue at once. It might be urged that this would simply have brought the crisis on at an earlier time, but the reply to this would be, that, if so, it would have come before the evil effects of an inflated currency had been wrought and the results would have been far less disastrous. Against the view, however, that this would simply have hurried the crisis, is the consideration that the steady nature of the drain on the Treasury gold fund—which would then for the most part have been in the same measure as the issue of silver certificates—would have made the need of continuously borrowing gold for this redemption so clear to the Government, that, had their determination and the temper of the people been against actually drifting on to a silver basis (as it now seems evident it was), there would have been no room for the fatal hesitancy which characterized the Government's course when the recent drain set in. Moreover, there is the incidental consideration that had the Government been in this way impelled to strengthen the Treasury from time to time, the situation, as far as internal distrust of the silver policy is concerned, would have been preserved for at least a time longer, in which case there is the possibility that the closing of India's mints to the free coinage of silver might have been an influence of sufficient weight in itself to have led to the cure of the silver legislation, and there need not then have been a disaster in any way approaching in extent that which has taken place.

Then as to the second bearing of a defective currency system on the question. The increased volume of currency caused a glut of loanable funds. Had the Banks sent in the credit-based currency (silver certificates, etc.) for prompt redemption, taking back gold or gold certificates, the volume of funds in their hands would not of course have been decreased by this, but the gold borrowings of the Government would either, in case they were first effected at home, to a like extent have decreased the volume of money in general circulation, and thus checked the inflation which silver issues were tending to bring about, or, if gold were borrowed abroad, have caused a corresponding tension in the money markets there. In the latter case—a superabundancy of money still existing on this side—a chain of economic forces would have been set in motion to correct this disproportion; either gold would have flowed away again from the cheaper to the dearer market, or the complex phenomena understood under the doctrine of rising prices in the easy money market and falling prices in the dear, would have brought about an exchange of commodities on the one side for gold on the other until equilibrium was restored, a process which would, because of the tension abroad, have corrected the redundancy before the possibility of great harm could arise. Under a system where the credit-based paper currency is limited to a fixed amount, an increase in the circulating medium indicates, as a rule—at least in a debtor country—a degree of commercial prosperity which more speedily brings about an exchange of the surplus gold for more desirable commodities.

As it was, however, the increased issues of paper remained outstanding, increasing the volume of money in the United States without any decrease in the volume in other countries, and with no real increase of money in the world as far as this particular increase of currency was concerned. There being apparently a considerable surplus of money to exchange for other commodities, it would naturally be expected that economic laws would act to eventually bring about an expulsion of gold from the country just as if there had really been a plethora of sound money, and this did occur, an incessant export of gold, as we have seen, at length setting in. Meantime, however, all the evils of an inflated currency had been wrought, including a serious derangement of the foreign trade; and the forces which were impelling this sudden redemption of excess issues not being understood by the Government, they were tempted to delay action to strengthen the Treasury, in the hope that the drain would cease and a return flow of gold set in before their available reserve was completely exhausted. Thus we see that a defective currency system delayed the inevitable end of the silver legislation, and obscured the processes which were leading to that end.

But despite the operation of the currency system, the final collapse apparently need not have come quite so soon as it did. What brought the crisis on at that particular time, and what made its results so severe, are questions which bring us to the consideration of the particular defects in the banking system.

The Americans do not like monopolies. They have legislated against monopolies in various forms, without in most instances attaining a signal degree of success, but the old popular cry for "free" banking has resulted in a banking system made up of several thousands of small banks, each of a purely local character, conducted to a great degree, except in the larger cities, by men with little or no banking training, and who are without the same opportunities of acquiring a grounding in sound general principles which are afforded to bank officers in the really "National" systems of other countries. The enactment against branch offices at once ensures that no banking institution shall come into touch with the commercial interests of any wide area of the country, but the provisions in the National and State Bank Acts, which render it illegal for banks to lend more than a proportion (usually 10 per cent.) of their capital (necessarily moderate) to one firm or individual, has had the effect of completing the severance of the intimate relations which should subsist between the banking and commercial systems of a country with a view to its even prosperity. Business houses in a large way have to borrow from a number of lenders very often in numerous markets, and sharing their confidence with all the lenders being impracticable, they share it with none; they escape making a statement of their position, and the bankers are not only ignorant as to what source repayment will come from, but also as to the purpose for which the moneys are to be used. On the other hand, the borrowing community being under no obligation to confine their dealings to any particular bank or banks, the banks of the country do not acknowledge any individual responsibility for the requirements of any portion of the commercial community, and the possibility always exists that the latter may make engagements on the strength of an easy money market, to find when the obligations mature, that, a disturbance of credit having meantime taken place, the banks have adopted a policy of contraction—a change of attitude which is rendered possible by the fact that while the banks may as a body be anathematized for a narrow selfishness, they cannot be individually held to account because of the absence of mutual obligation as between banker and customer. Such a situation as above outlined would fortunately not be likely to come about oftener than once in a great many years, but we are dealing at the moment with one of those rare occasions.

I have pointed out that there are economic laws which will bring about the expulsion of gold from a country where the currency is superabundant, and I have stated that where the plethora of money has come about under a currency on either of the bases mentioned on page 239, the conditions would probably be such that the exchange of the surplus of gold for other commodities would come about speedily, and by the operation of causes which could leave no great ill effects. On the other hand, where the circulating medium in a country is suddenly increased in such proportions, and under such currency conditions, as was the case in the United States (even assuming that a proper reserve of gold were maintained, by borrowing or otherwise), under the most admirable banking system, soundly administered, evil effects, such as over-trading, might be created side by side with the forces at work to restore equilibrium. But I would emphasize that it is the more destructive ends to which a *badly* constructed banking system enabled this plethora of money to be put, that I am dealing with.

Banks incorporated under the State Banking Acts are permitted to lend directly upon real estate, and while the National banks are forbidden to lend upon the direct security of real estate, they may—because of the absence of close relations between them and their borrowers and their consequent inability to follow the uses to which their advances are put—be unwittingly lending to a very considerable extent on real estate; but it happens besides that in a very large proportion of the National banks in smaller places the soundness of the enactment against bank loans on this class of security is not acknowledged, and loans to local magnates resting indirectly on real estate are not discriminated against.

In loans to the mercantile community, also, the system as a whole not only renders it impossible for bankers with ever so sound views to prevent the banking resources of the country from being put to improper uses, but actually assists in bringing about this result. The main function of banks is to assist in the distribution of commodities in such a way that they will go from the producer to the consumer in due course; it is their duty within certain lines to facilitate this exchange for the benefit of the entire community, and any aid lent by them to enable one set of individuals to withhold commodities from the market with a view to extort profits from the rest of the community beyond what the law of supply and demand warrants, is not defensible on principle. It is to be noted moreover that the effects of such schemes extend beyond the mere extra profit which may be involved, in that they tend, where successful, by keeping up prices, to unduly stimulate production in the particular commodities and bring about a violent fall at some later time, to the detriment of the body of producers not concerned in unnaturally affecting the market. Recognition of the principle involved here finds no place in the practice of American banks, because the system renders it impracticable; to lend their money to the best profit for the time being upon sufficient security is their guiding motive.

It was into such a system that the excessive currency issues were poured. If the over-issue of paper must have been fraught with some mischief no matter how sound banking conditions had been, how much more dangerous were they here? With a practically unlimited supply of money, real estate speculation, which had run a wild course in some of the far western States prior to 1891, spread into many other western and some eastern parts. In the city of Chicago the movement was on a prodigious scale, and in a mumber of other important cities, where the existence of a boom was not admitted, real estate was extraordinarily "active." There were numbers of "boom" towns too throughout the west (despite the collapses of such which had taken place within a short time previous in one or two of the States), and in one of these alone, Sioux City, a place of 30,000 inhabitants, something like $55,000,000 were said to have been sunk, over 500 banks contributing to the funds of the companies operated by the chief promoters. Real estate speculation comprehends in boom towns, of course, the erection of costly buildings, the paving of miles of streets, electric lighting and electric railways, and the formation of " Trust " companies for carrying on these operations.*

Speculation in wheat and pork was also of an important character, and was carried on, of course, on bank loans. The moneys borrowed by the operators who attempted to corner May wheat, it is to be noted, were advanced by the banks with knowledge of the purpose for which their funds were to be used.

Besides the moneys improperly diverted to speculative purposes, it is clear that in connection with the development of industries to which the over-construction of railroads, etc., gave an abnormal stimulus, an immense amount of banking funds was unwittingly loaned in such a way as to represent fixed capital, and thus the banks aided in the excessive consumption of wealth in the construction of plant for future production, while, at the same time, imperilling the safety of their own funds. The further particular bearing of the conditions created by the banking system can best be shown in a brief review of the course of events immediately before and following the panic.

In order to form an idea of the course of the country's foreign trade, it is necessary to look back over the exports and imports of merchandise and gold. The following are the figures since 1881 : (000,000 omitted.)

Year ending, 30th June.	MERCHANDISE.				GOLD.	
	Exports	Imports	Excess Exports.	Excess Imports.	Net Exports	Net Imports
1881	902	642	259			92
1882	750	724	25			1
1883	823	723	100			6
1884	740	667	72		18	
1885	742	577	164			18
1886	679	635	44		22	
1887	716	692	23			33
1888	695	723		28		25
1889	742	745		2	49	
1890	857	789	68		4	
1891	884	844	39		68	
1892	1,030	827	202		·5	

Roughly averaging the figures of the first six years, the excess of exports was at the rate of 110 millions per annum, with net imports of gold at the rate of 14 millions annually. The United States being a large debtor country, is, of course, the explanation of this favorable trade balance. The figures for 1887 and 1888, when merchandise exports and imports only balanced and gold imports were 58 millions, are not on their face intelligible, but doubtless the explanation lies in the large syndicate investments of British capital in American industries. Down to this point shipments of gold were to America, but 1889 witnessed the first important adverse balance of gold shipments, followed in 1890 by a small net export, and again in 1891 by a very large net export, making 121 millions in the three years. Here we have what seems to be unquestionable evidence already of the working of an inflated currency, for, of course, a nation does not export gold, except in a time of great stress, unless it has "money" to spare.* But the figures of the following year mark the first serious effect of the silver policy—considerably the largest favorable balance of trade since 1861, and the imports of gold not quite balancing the exports! It is estimated that in this year 100 millions of American securities were sold on the New York stock exchange by foreigners, in fear as to the outcome of the silver question, and the above figures would seem to fully bear out that estimate. Here was a grave situation, indicating that failing cure of the silver legislation disaster could not now be long delayed. The policy which the commercial community should have pursued was clearly to take in sail largely, and I think it is safe to assume that, had the country been possessed of a really "National" banking system, thoroughly in touch with the mercantile interests of the country as a whole, with a number of large banks each in close relation with, and responsible for, the reasonable requirements of a certain portion of the business community, the banks must have appreciated the situation sufficiently to have been prompted to bring pressure to bear, each on its own clientele, to curtail production and importations as far as possible within the bounds of the immediate demand only, to limit their future financial engagements, and generally to get their business well in hand against the contingency of trouble being precipitated before the silver situation should be remedied. I do not think this is to any extent merely theory; we know that in Canada the policy of the banks, which is amended according to the state of the times as well as the state of the money market, does control the volume of trade; and under similar conditions to those in question, we cannot imagine but that their policy would be one of repression. It has been admitted already that the most perfect system could not have averted trouble coming sooner or later as a result of the silver purchases, but it could have done an infinite deal to prepare the country so that the effects would have been less serious.

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* The existence of such an extensive speculation in real estate prior to the crisis is disputed, but the emphatic statements of the Comptroller of the Currency leave no room for doubt on this point.

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* The application of this principle would not be affected by any gradual liquidation of securities by foreigners, which may have been taking place, since this withdrawal of capital should naturally have been met by an excess of exports, because of the pressure to sell and the inability to buy so largely.

Contrast the policy which should have governed with that indicated by events. In every month of the fiscal year commencing July, 1892, excepting only the three after-harvest months, October, November, December, the imports exceeded exports, the excess for the whole year running up to 93 millions,* and the volume of imports being very considerably the largest in the country's history! And this in the face of further sales of securities by foreign holders, and continuous heavy shipments of gold amounting for the year to 87 millions! Production at home, too, seems to have been going on much as ever; warehouses and shop shelves were kept filled, and trade was running along as though times had never been more prosperous. Thousands of small banks, whose vision was limited by their local environment, and whose guiding principle at all times is and must be to keep their funds earning revenue, were oiling the wheels of this movement of trade, while those bankers who were conscious of the dangers of the situation looked anxiously on while things were taking their course, utterly helpless to stem the tide. In the month of March, 1893, when the situation was becoming very grave, and when the excess of imports was greater than it had ever been in any month before, speculators were holding back, on money borrowed from the banks, 40,000,000 bushels of wheat more than was being carried at the same time the previous year; money from banks was also sustaining the speculations in pork and provisions in Chicago; and at the very moment when the Treasury was making the most heroic efforts to maintain its almost exhausted reserve, banks were found in sufficient number, with the inducement of a high rate of interest, to supply the money for the attempt to corner May wheat. Could there be a clearer demonstration of the irresponsible character of the banking system, and of its part in bringing about the crisis?

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* The figures for imports for the year ending June, 1893, in the official statements issued in January, 1894, differ from those in the Government statements which had been issued at the time this paper was written. The net excess of imports over exports is in the January statement reduced to $35,000,000. While, however, the difference between this and the figures I have quoted is considerable, there is still so great a reversal of the relations in which the totals of exports and imports should stand, that it would not have been necessary to modify in any material degree the conclusions arrived at herein.

It may be said that at the turn of the year 1893 the conditions had already been created leading to a crisis—to a period of extensive liquidation following the collapse of a widespread speculation—but it remains to show how the crisis was brought on when it was, and why the ensuing panic was so disastrous.

The gold reserve in the Treasury at the 1st January, 1893, amounted to $121,000,000, but by the middle of February it had been drained down to $108,000,000. In the face of this situation Congress had just voted to postpone consideration of the question of repealing the silver bill until the Autumn session, which alone disturbed confidence, and the banks were now looking anxiously for a declaration of what the Government's policy would be when the $100,000,000 point should be touched. President Cleveland had, when previously in power, specifically laid it down that this $100,000,000 was specially held for the redemption of the legal tenders, and the Government remained now for some weeks, while the free gold was fluctuating barely above zero, resolutely silent, evidently in the hope that the turn might come before the necessity for committing themselves to an inconsistency. Newspapers throughout the country kept their pages warm with a discussion as to whether the Government could and would trench on the $100,000,000. The Government's silence was interpreted unfavorably, and finally it was rumored from Washington that when the reserve reached the $100,000,000 limit the silver certificates would no longer be redeemed in gold. The New York banks declared their willingness to assist the Treasury if they were taken into the Secretary's confidence, but the Secretary was reported as antagonistic to "Wall Street." Left in the dark as to the Secretary's intentions, the banks, while professing absolute confidence in the good faith of the Government, were yet in dread lest the improbable should come about, and instead of the Treasury having the assistance of the banks, the latter conserved their gold and gold certificates with the result that the percentage of those forms of currency in the Customs House receipts at New York, which in January had amounted to 13½ per cent., fell to 0 in May, the entire drain of gold for export being thrown on the Treasury. The whole attitude of the Government thus intensely aggravated the situation. The abnormal shipments of currency to the interior, which set in as early as February, seem to indicate that the continual discussion of the situation had created in the minds of the people the vision of a 57c. dollar, that many were already withdrawing their "money," while others, if we may judge by subsequent events, were in an attitude of readiness, only delaying their demands with the idea that if trouble should come it would be apparent long enough in advance to enable them in some way to stand from under. With the first marked signs of distrust among depositors, the purse strings of the banks were tightened; money which had been poured lavishly into the channels of trade and speculation alike, now came painfully, in response to high rates only, and with discrimination. A great body of the mercantile community found themselves in a position where, because of the absence of claim upon any individual bank arising out of the relation of banker and customer, they were in dire straits for funds to provide for obligations incurred on the faith of an easy money market. Speculations commenced to collapse, and banks which were identified with such undertakings came under fire. Two or three small affairs in Chicago succumbed in May, but the failure of the Plankinton Bank of Milwaukee (one of the worst offenders against banking principles), on the 1st June, marked the commencement of the panic. Under ordinary circumstances the failure of a bank here or there would of course have no particular effect, but the people's minds were in a state of alarm, and it needed little to start the panic. The rest is but a story of failed banks and business houses, and the reckoning of losses.

To sum up, the causes of the crisis were:

In the main, the silver legislation, which brought about an over inflation of the currency with all the attendant evils, including distrust abroad of the future monetary basis and the withdrawal of foreign capital.

But contributory, were:

(1.) A defective currency system, owing to which the notes outstanding in excess of the needs of the public, instead of being forced back for immediate redemption, were allowed to remain in the tills of the banks as so much loanable funds, to go to oil the wheels of speculation and bring about an over-expansion of trade, and finally to come back for redemption by the forces thus set in motion, when the dangers of the entire situation had been obscured.

(2.) A banking system, which no other one word so nearly describes as "irresponsible," under which, as we have seen, banking funds were diverted into the channels of speculation and to furnish fixed capital in over-developed industries, without the violation of established principles which could be to any great extent enforced, and under which production was sustained beyond a healthy point and importations were rolled up to the highest figures ever touched, at a time when both should have been largely curtailed.

And finally, the action of the Government in allowing political exigencies to prevail in the face of a dangerous situation, when the strongest assurances of the Government's determination to maintain at any cost the parity of the silver money with gold should have been unhesitatingly given. To this last is largely due the disastrous extent of the panic.

The objection may perhaps be raised to the views here submitted, that there have been equally severe crises in other countries and under other conditions—for example, in England—and that it is therefore futile to charge so large a share of the responsibility in this case to the *institutions* of the United States. It is to be remembered, however, that the responsibility for the later crises in England, as far as banking is concerned, is chargeable to the errors of *bankers* rather than to defects in the system, and that since 1866 there has been no devastation from crises in England, the only approach to a far reaching catastrophe being the Baring crisis of 1890; and in this instance calamitous results were prevented only by the united action of the great banks, an attainment which would have been impossible under the scattered forces of the American system. Evidences all point to the conclusion that the freedom from crises in later times has been due to the experience gained by bankers, and that with the proper administration of the English system a comparative immunity from disastrous crises may be looked for. The distinction is that the American system is not one which could be administered to such an end.

I am not losing sight of the bearing on the entire question, of the enormous over-construction of railroads. Allowing for the greater wealth and population of the country, the development in this way in the ten years ending in 1893 was on a more prodigious scale than in any previous decade. But the destruction of wealth here involved need not necessarily have ended in a crisis, although the abnormal stimulus given to production in many industries must have ended in a period of depression more or less prolonged. I have not, therefore, set it down as a direct cause of the crisis, though it certainly has an indirect connection. Its bearing on the situation after the crisis, however, is, as I shall endeavor to show, all important.

RESULTS OF THE CRISIS.

When we speak of a commercial crisis we usually think of a period of hard times, because a crisis necessarily involves such a period—indeed it has perhaps come to be so regarded—but strictly speaking a crisis in this sense is the juncture at which a shock is given to an apparently prosperous but really unsound trend of affairs, and what necessarily follows is the result of the crisis.* In the present case the first results were seen in the widespread failures of banks and mercantile houses, closing down of factories and the throwing of many hundred thousand people out of employment. These immediate results we all understand as the natural accompaniment of violently contracted credit, the sudden stoppage of those avenues through which capital was flowing to the production of wealth. What is not understood so clearly, and what the public are enquiring every day, is the reason of the prolonged depression and shrinkage of the volume of trade. What we have to deal with here is the resulting conditions which explain the phenomena of commercial paralysis, rather than to relate the facts which demonstrate the precise extent of that paralysis.

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* This merely in explanation of the distinction I have made between causes and results. The category might vary somewhat according to which definition of a crisis is accepted.

At the outset the most prominent fact we are met with is the vast number of people who have lost money in speculations of all kinds, and who will be compelled for some time to practice the most rigid economy in their expenditures. This in itself represents an immense shrinkage in the purchasing power of the people, but the worst results seem to lie beyond the actual amount of the wealth of individuals which has been swept away at the moment. The country has been committing serious economic errors, as in fact the existence of a period of speculation implies; the energies of an important proportion of the population and a large amount of capital have been diverted into undertakings for the existence of which there was no economic reason — which do not at the moment represent exchangeable wealth, and which, put to their proper uses, are not capable of earning any reasonable return. These undertakings in turn unduly stimulated production in many branches of manufacturing, etc., and to that extent the energies of a further body of men have been unwisely bent. The most important illustration of this, as stated a moment ago, lies in the over-building of railroads, the cessation of which must cause a severe shrinkage in the output of iron and steel as well as the output of all railroad equipment industries, for some time to come. Bearing on this we have the experience of what happened after the crisis of 1873, when the output of iron decreased and continued to decrease for some years, the consumption of pig iron falling off by nearly thirty-five per cent. The shrinkage in the present instance has been estimated to be even greater than this, at the moment between 40 and 50 per cent. The effect on the market for other raw materials which were used in connection with speculative undertakings is only on a slightly smaller scale. Had the energies misapplied in these channels been directed to production in other fields within the limits of normal demand, the enforced idleness of these bodies of men due to a panic arising out of the silver danger would have been of shorter duration; the recovery would, no doubt, have been gradual and steady after the revival of confidence, because of the sound conditions at bottom; but in this instance immense numbers of the unemployed are for the moment thrown as it were out of the economic system, and readjustment must take place, development of the country's resources must start in new channels, to absorb this surplus labor. This result is always slow of coming after such a rude shock to credit, arising out of such conditions; capital, which before could be readily found for the projection of the most insane schemes, for a time now regards with suspicion the most promising openings for investment.

The economies of people who suffered by unfortunate speculations or broken banks, and of those indirectly affected, to the extent merely of reducing their income, together with the privation among the army of unemployed operatives, etc., represent a decreased purchasing power difficult to estimate; during the worst period, 40 per cent. would probably not be far over the mark, and for a long period it must continue to be a large percentage. It must be borne in mind that before the crisis money had been circulating freely and consumption was at a very high point, and that supply, which at all times tends to exceed the probable demand for the immediate future, was at the moment of the collapse tending to outrun the demand based on the then high rate of consumption. Such an enormous falling off in purchasing power following this situation, renders clear why the factory wheels are so slow to turn again.

The effect of the crisis upon the prosperity of other countries is of great moment. The country most affected is Great Britain. The manufacturing districts of England are passing through a period of extreme depression, of which much is attributable to the situation in America. The consequences to the trade of a country like Great Britain, of the collapse of so large a market for its wares, is not, however, a point which needs demonstration.

We must not forget, among the results of the crisis, the only thing in which any small measure of consolation can be found, the repeal of the Silver Bill. I suggested at an earlier stage the possibility that, could the panic have been postponed a little longer, the subsequent event of the closing of India's mints to the free coinage of silver, might have driven the Government to remove the cause of the panic without the need of the sharp lesson afterwards received, and while it was permissible to consider that possibility in the connection it was used, nevertheless, it cannot be conclusively shown that, without the pressure of the disaster which overtook them, repeal was yet in sight, and we therefore must ascribe the stoppage of the silver purchases as due in a greater or lesser degree to the crisis.

If repeal meant the end of their currency troubles, it might be regarded as in a greater measure a compensatory result of the severe experience, but the situation it leaves is far from satisfactory. The currency famine which existed when the trouble was at its height, seems to have induced the belief that the volume of currency was inadequate; or, at all events, that with the cessation of silver issues, it would immediately become so, in spite of the fact that the course of events leading up to the crisis points unquestionably to a redundancy. Congressional committees have been appointed, and some extraordinary propositions have come to the point of "serious consideration," looking to an increase by such means as the removal of the tax on state bank issues, the permitting of National banks to issue to the par value of Government bonds lodged with the Treasury, coining the seigniorage, etc., and it is not altogether unlikely that some of these propositions may yet become law. Without any such addition, however, the volume of currency is for present requirements excessive. In the course of time, with the increase of banking totals and the consequent larger banking reserves which will be requisite, this redundancy will be absorbed and the point will be reached where these increasing reserves will even mean a drain on the world's stock of gold (because of the fixed line of the credit-based paper currency)—a drain which, to the extent that it represents an excessive gold stock, it is highly desirable to avoid for the very reasons which prompt the advocates of a larger volume of currency. But if the currency at the moment is redundant, say to as great an extent as 50 or 100 millions, after hoards come out again, what must happen before the increased necessities of banking reserves and money in circulation absorb it? When the Treasury redeems a silver note or legal tender in gold, it is not redemption in the sense of a note withdrawn from circulation and cancelled; it simply means that the gold held in the Treasury for its ordinary needs is replaced by paper currency, and this paper currency is pushed out into circulation again by the Government in its expenditures, and the volume of the currency remains undiminished. If this redundancy is slow in disappearing, the balance of gold shipments due to this cause may still continue against the country to a disturbing extent, and the sale of bonds by the Treasury to meet the drain for note redemption may not yet be over. The crisis results in the repeal of the Silver Purchase Act, but repeal leaves the situation outlined above.

A very important result of the upheaval following the crisis is the effect it must have on the current of foreign investment capital. The experience of British investors in various forms of American securities in late years has been disappointing, and taken with the revelations in connection with American methods of railroad management—though this is by no means a new story—it cannot but largely check the flow of capital to the States for some time to come. Coming almost simultaneously with the crisis in Australia, and with Argentina not yet out of recollection, we may expect that British investors will be timid and cautious for a space. Meantime the field for investment is narrowed, and as we have not sinned in recent times, we may assuredly expect to benefit through the appreciation of our securities on the British market—indeed, that desirable result seems to have already come about. The fact that such a financial storm could rage at our very doors with hardly a tremor being felt in our own financial system, has not failed of appreciation abroad—and properly so, since we certainly must have suffered if existing conditions had not been sound.

Another possible benefit which may accrue to Canada as a result of the crisis in the States lies in the matter of immigration. The tide to the States has been checked for a time; in the past year an immense number of emigrants have turned back on reaching the American shore; and until affairs there decidedly improve, the attractions of citizenship under the republic will surely lose some of their force in the eyes of emigrants. It would doubtless be vain to look for an enormously increased flow of immigration to Canada, but viewing it as an abstract proposition in Political Economy, with the re-commencement of emigration Westward at a normal level, a moderate increase is altogether probable.

WHAT CANADIAN BANKERS MAY LEARN THEREFROM.

I do not know that Canadian bankers learn anything in the way of banking principles from the crisis in the States. The misapplication of the country's banking resources has been due to the violation of no principles which are not acknowledged by Canadian bankers, whatever the degree to which they may not always have lived up to them. But in the way of demonstration of the wisdom of many principles which bankers here may at times have been inclined to regard as of greater force in theory than in practice, we doubtless learn much from the results of our neighbor's sins.

In the matter of real estate speculation we happily did not need any education; under Canadian banking ideas it is difficult to imagine funds being forthcoming for any *widespread* speculation in real estate. But in the lending of money to the mercantile community the practical demonstration of the working of some economic laws cannot be without profit to ourselves. It is a guiding principle in Canadian banking that banking funds should not be loaned to individuals under such conditions as to represent in any sense fixed capital in their business, and the only departures from this are probably in cases where outside security forms the real basis of the transactions. Under present quiet-going conditions any evil which might be traceable to this latter is so obscure that practical bankers are not inclined to weigh it against the opportunity of employing funds safely and remuneratively, but should conditions be changed and a period of rapid development set in, bankers will doubtless be cautious of aiding in the consumption of capital through the projection of enterprises of a speculative character or in advance of the country's capacity and needs, even where advances made in such connections are amply secured by realizable wealth of the promoters. "On them it mainly depends whether the men who "acquire the wealth of the nation, its stocks of commodities "which they reach by the banker's agency, will employ it "wisely, by applying it to processes which will reproduce its "consumption, or waste and destroy it by prodigal expenditure, "or unskilful trade, or reckless speculation, or in creating an "excess of fixed capital which will not for many years replace "its cost of production."*

No better exemplification could probably be found of the evil which is likely to result where the functions of banks are not properly exercised, than that afforded by the late crisis. Economists have laid it down that as commodities are produced to be consumed, it is good that they should be exchanged as quickly as possible. It is much upon this principle that the view already referred to herein is founded, that it is one of the functions of banks to facilitate the circulation of commodities for the benefit of the community as a whole, and that the funds of banks, which are to a very large extent the means of the general public, should at no time be lent to aid one portion of the community to hold back commodities from the market in an effort to extort unreasonable profits from the other. Canadian banks have not erred in this respect in late years. Produce dealers and millers are required to clean up their accounts before going into the market for the next year's grain crop, and manufacturers and merchants are also, as a rule, required to pay off accommodation advances at certain stated seasons. These requirements, however, have probably come to be enforced now-a-days (owing to the sober minded trend of our commerce), for the most part because of the test they afford of the existence of the security in the case of produce dealers, and of the realizable character of merchants' and manufacturers' assets, though the wider bearing is of course not altogether lost sight off. Events in the States emphasize this wider bearing, and in such a way that it cannot but be of benefit to Canadian bankers should a tendency to speculation be manifested at any future time in a period of rapid development. The banking and commercial interests of Canada are so intertwined, and the controlling influence the banks exert over the course of the country's trade is so great, that with the continued wise exercise thereof a crisis distantly resembling that of 1893 in the United States would be an impossibility.

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*Bonamy Price.

What is the best course for a banker to take during and after a financial crisis, or a period of great financial stringency?

Narrowly interpreting this question the answer would be brief; a purely financial crisis implies a monetary panic, and the choice as to the proper course in such a case is not very wide. But I presume, and the idea is strengthened by the last few words of the sentence, that the question is intended to call for a statement of the best course to be taken in a crisis brought on by a period of speculation and overtrading, with a view to avert a monetary panic.

Some of the ground of this question has been covered in the numerous discussions respecting the issues of the Bank of England prior to the Act of 1844, though the two questions are not absolutely identical. There arose out of the mismanagement of the Bank of England issues during several crises before 1844, a controversy as to what the policy of the Directors ought to be in such times, and it is claimed by economic writers that there were at that time two schools of opinion, one maintaining that provided the exchanges were favorable, the issues of the Bank should be liberally expanded so as to support all commercial houses which could prove themselves to be solvent, and the other maintaining that the Bank "should rigorously restrict its issues and give no aid to commercial houses." That the latter view, however, ever received any important support is extremely doubtful; it appears to be merely a very free interpretation of the views of those individuals who were inclined to criticize the Bank's policy of expansion under special circumstances only, or the view imputed to those who lacked the courage needful to put the expansive theory in force; but, at any rate, if the restrictive theory as quoted above ever existed, it has been effectively disposed of, and the soundness of the expansive theory demonstrated again and again. The case of the note issues before 1844, is not, as I have said, identical with that we have to consider here, but the principles involved are in all essential respects the same. Since the limitation of the issues by the Act of 1844, on the "currency principle," however, the conditions under which the Bank of England has been managed are such that whatever lesson is to be learned from the course it has pursued in times of great financial stress, may be quoted as the most direct evidence on the subject in hand that could be forthcoming.

The panic of 1847 owed its origin to speculations in grain which was imported into England in the summer in enormous amount. A great decline in the price of wheat brought about the ruin of the houses which had been engaged in the speculation, and following this came the failures of numbers of houses which had been engaged in other unhealthy ventures in the east, and finally, at the height of the panic, the failure of banks in the west of England and in Wales. The Bank of England parted with almost its entire banking reserve in support of the general situation, advancing innumerable amounts ranging from £50,000 to £800,000 to banks and important mercantile houses, in many cases on securities not usually admitted. The end of the panic came with the removal for the time by Parliament of the limitation to the note issues, and the knowledge that the bank had resources to continue its liberal policy. Authorities all agree that had the Bank not followed the course it did, the most appalling disaster would have overtaken the country.

The experience in 1857 was somewhat similar. A crisis in America so severe as to be accompanied with an almost universal stoppage of the banks there brought about a great and sudden depreciation of railroad securities. Eighty millions sterling of these and other American securities were held in England, while many English and Scotch houses were much involved with American firms. Failures in Britain due to these causes set in and ended in a crisis with results more severe than those of the preceding panic, the Western Bank of Scotland and the City of Glasgow Bank suspending payment. The Bank of

England again gave liberal assistance to banks and mercantile houses, continuing discounting until its reserve was down to some £500,000, at which juncture the Government again suspended the Act.

The formation of several hundred Limited Liability Companies for the promotion of schemes for the diversion of capital into "enterprises which could never repay their cost until completed, which might take years to do," was the origin of the crisis of 1866. The failure of many important railway contractors with whom Overend Gurney & Co. were known to be concerned led to distrust of that great firm, and to its immediate downfall. The failure was not known till after banking hours. On the following day the excitement in London was said to have been without parallel, and in the evening the announcement was made in the House that the Government had informed the bank that it would follow the precedent of 1847 and 1857 and permit the issue of notes in excess of the authorized limit, if necessary. The policy which the bank pursued on this occasion is indicated in the following statement afterwards made by the Governor of the Bank:

"This house exerted itself to the utmost, and most successfully, to meet the crisis. On the morning on which it became known that the house of Overend Gurney & Co. had failed, we were in a sound and healthy position, and on that day and throughout the succeeding week we made advances which would hardly be credited. I do not believe that anyone would have thought of predicting, even at the shortest period beforehand, the greatness of those advances. . . . . . . We had to act, and before the Chancellor of the Exchequer was perhaps out of his bed we advanced one-half of our reserves, which were then certainly reduced to an amount we could not witness without regret. . . . . We would not flinch from the duty we conceived was imposed upon us, and I am not aware that any legitimate application made for assistance to this house was refused. Every gentleman who came here with adequate security was liberally dealt with; and if accommodation could not be afforded to the full extent which was demanded, no one who offered proper security failed to obtain relief from this house."

A policy in keeping with that followed in the three crises referred to above prevented the Baring crisis of 1890 from culminating in the most terrible monetary panic recorded in history. And in this case it was adopted at a possible—now developed into a probable—severe loss to the banks, a loss, however, probably many times less than the banks would have suffered directly and indirectly had they attempted to stand from under.

It may be urged of course that it is one thing to grant every "legitimate application made for assistance" under a system where at the proper moment the authority of the Government only is needful to issue unlimited promises to pay which will everywhere be esteemed the equivalent of gold, and quite another thing to adopt such a policy in a country—say like Canada — where no such ultimate assistance may be expected. It would suffice, however, for our purposes if the policy adopted in the instances quoted here indicated alone a tacit acknowledgment that the restrictive policy at the moment of a crisis is likely to be attended by universal disaster, but the evidence is not offered only as a sort of negative authority. It must be borne in mind that while in England there is always the suspension of the Bank Act to hope for at the last ditch, the money market of London is for many reasons the most sensitive in the world and liable to sudden and severe drains from the four quarters of the compass. The reserves of the English banks are centred in the Bank of England, the amount of that reserve is visible to the public from day to day, and any large sudden shrinkage is watched with anxiety which when a certain point is reached is apt to culminate in alarm and to seriously aggravate the situation. In Canada there is no such central reserve to serve as a daily barometer to the public; the bank reserves are held in such ways that a considerable portion of them might be utilized without the public really appreciating the fact that the total reserves had shrunk; added to which the bank statement is only issued at such intervals that a situation might conceivably arise, to meet which a serious depletion of reserves must take place, and the breach be repaired within five or six weeks without the public being the wiser; but to these incidental circumstances is added the fact that our modest money market is not exposed to fire from outside sources to any appreciable extent, and that the financial system is free from complexities. Thus there are conditions here also which render it quite practicable to adopt a liberal policy to ameliorate the results of a crisis and avert a monetary panic.

I do not see that this question can very well be discussed, as called for by the original question, from the point of view of the banks and the commercial community separately; what is for the good of the commercial community is clearly for the good of the banks. Even if the interests of the banks and the commercial community could be regarded as distinct, it must not be lost sight of that the banks have a duty to perform towards the public, to support the country's commercial interests in a time of peril; they are the custodians of part of the country's wealth which they are bound to administer for the best interests of the public. I should suppose that there could be no question but that the best and the only proper course for banks to take during a period of financial stress would be to lend their reserves to whatever extent is necessary to sustain the credit of all worthy commercial houses until the danger of panic is over; it would doubtless be policy, even at the risk of a somewhat greater loss to carry important houses whose affairs may be involved until liquidation can be undertaken without danger to the general situation; and certainly it would be folly at such a juncture for example, for a bank to cease discounting a customer's trade paper because of its being of an inferior quality when it had readily accepted the same paper in an easy money market.

The objection to the policy of liberal advances at such a time, is of course that should a panic take depositors when the reserves had been depleted in an effort to sustain the situation, the banks could not withstand a run. The deposits, however, which would be demanded in such a case are those which are subject to notice, and as experience has shown many times, and notably in the States during the recent crisis, that a panic has not the *vitality* to survive the notice, it is submitted that the expansive policy is by this provision reasonably safeguarded. The restrictive policy might fairly be likened to removing the timbers from embankment works on a dangerous hillside in order to construct with them a protection, of extremely doubtful strength, at the bottom, against a landslide, precipitating a catastrophe which would probably not have happened had the supports not been removed.

The expansive policy could only be adopted in Canada through united action on the part of the banks and an understanding between themselves that notice would be exacted whenever it was clear that deposits were being withdrawn to an appreciable extent for the purpose of hoarding. For an individual bank to discount with the utmost freedom from patriotic motives while other banks were curtailing their advances, would quite possibly end in the downfall alone of the institution whose course had been worthy of commendation.*

I would not be understood by a reservation in the previous paragraph as maintaining that an individual bank would under any circumstances be justified in cutting off its regular customers while their requirements are within the usual lines, in order to build up a strong reserve. Such a policy would be unpardonable. Where because of the attitude of other banks it is not possible to adopt the wise policy of sustaining credit in a panicky situation by liberal aid to solvent houses, the bounds of a bank's prerogative would probably lie in withdrawing credit facilities from its customers as far as concerned any engagements contracted after that date.

Nor will it of course be understood that the policy of expansion here advocated comprehends in any way aid afforded to postpone the settlement of speculators' losses; where a crisis has been due to a period of speculation, as crises usually are, the speculators should be left to bear their losses, and the sooner the unhealthy superstructure so created is swept away the better.

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* I am aware that there is a selfish view which might obtain with individual banks under certain circumstances to prevent such united action; but there is only the one course which could be followed in a time of general panic without sacrificing the commercial community. Whether any course but this one would be justifiable would depend altogether upon the view taken of the duty which the banks owe to the community as a whole.

THE EDUCATION OF BANK OFFICERS.

1ST PRIZE ESSAY, BY D. M. STEWART.

What are the special subjects necessary to the education of a good bank official in Canada, and in what ways may he make himself of most service to a bank, and thereby place himself on the best road to promotion?

The intention of the question submitted seems to indicate that papers written upon the subject shall refer to officials below the rank of accountant, and the following remarks must be considered as applying only to officers who come within that category.

The young man who would be successful in a bank must first of all be equipped with a good practical education. It need not necessarily be a university education, but should certainly embrace the ordinary curricula of a well equipped public school. Penmanship, arithmetic and commercial geography may be set down as subjects of primary importance, whilst modern languages (French and German), stenography and commercial law may be placed in a secondary position in this respect, for although they are not absolutely essential, they are extremely desirable. It seems hardly necessary to go into details as to the degree of proficiency necessary in these subjects, but it may be well perhaps to touch briefly upon them in passing

Banks, as a rule, are very particular about the handwriting of their clerks; their drafts, credits and correspondence go to all parts of the world, and for purposes of negotiation, if nothing else, the necessity for legibility and neatness in the writing must be apparent to all.

With regard to arithmetic, a bank clerk's existence is amongst figures, and he should be thoroughly familiar with fractions, proportion, interest and discount, also the moneys of foreign countries, especially those of the United Kingdom and Europe.

Geography should include a knowledge of the location of all the principal cities and towns in the world, especially those of Europe and the United States, as well as the abbreviation for every State in the latter. The business of importers is conducted to such a large extent by means of bankers' letters of credit, that a knowledge of the exports of the different nations with which we have commercial relations is very desirable, if not necessary.

Of course a knowledge of the history, resources and trade of the Dominion is quite essential.

Commercial law, stenography and modern languages indicate a liberal education and are very useful in certain positions in a bank, whilst a knowledge of French is necessary in some parts of the Lower Provinces.

A man's education, however, must not cease when he bids farewell to school days and enters the service of a bank. To be successful one must be constantly undergoing a system of self-education. For this purpose general reading tending to the improvement of the mind, of course, is good, but the best kind of reading for a young banker is that which imparts the greatest amount of instruction in his business. The profession of banking furnishes a wide and interesting field of literature, the important branches of which should be imbibed from time to time and a large share of attention and study given to them. Let us state here that *experience*, of course, furnishes the very best kind of education for a banker, but it would be folly for a young man to sit down and wait for practical experience—which comes to some more by length of service than anything else—without first becoming theoretically familiar with the salient points of his profession.

Technical reading supplies him with a vast amount of knowledge that experience—to which it should be preparatory—does not, and its importance is therefore apparent. There are a great many excellent books upon banking in all its branches, but of technical literature, political economy is pre-eminently a subject for study. It is so closely allied with banking, its principles and functions, that every one should be more or less familiar with it. It is a science upon which all writers have not agreed or arrived at satisfactory conclusions, but there are certain inviolable laws of which it treats, and for all practical purposes the standard works of such men as Adam Smith and John Stuart Mill furnish the young banker with a fund of information upon these laws—relating as they do to the distribution of wealth and economic principles of finance—quite adequate to his requirements.

In addition to being familiar with the coinage and currency of other countries and their values as compared with our own, it is well to be somewhat familiar with the systems relating thereto, but a study of the Canadian currency system and the laws relative thereto is of primary importance. So much has been spoken and written upon this subject of late that it is not difficult to obtain information about the matter.

Knowledge of this nature the average bank clerk does not have an opportunity to turn to practical account, but it is none the less necessary on that account that he should avail himself of it, for it facilitates promotion, and it inspires one with ambition and a desire to attain to a position whose functions demand its practical application.

A good bank clerk must almost of necessity be a good correspondent. An immense amount of a bank's business is conducted through the mails, and it is practically unknown to many in any other way. The importance, therefore, of having its correspondence faultless in grammatical construction, orthography and composition cannot be over-estimated. Brevity, precision and legibility are the chief requisites, and it should be borne in mind that the personnel of a bank is not infrequently judged by the character of its correspondence.

Of the various subjects necessary to the education of a good bank official, there is none more important than office routine. This must not be taken to mean a mere mechanical acquaintance with the clerical duties of a bank; it includes a knowledge of the laws of the country with regard to bills of exchange, the Bank Act, and commercial law generally. One should know the law with regard to the surrender of bills of lading, warehouse receipts or other securities, the position of the bank towards the other party in the transaction, and *vice versa*. As a rule, securities are surrendered only upon the authority of the Manager or other responsible person, but it is none the less necessary, for many reasons, that the man who handles them in a clerical way and acts under orders, be familiar with the law relating to them.

How to "make himself of most service to the bank, and "thereby place himself on the best road to promotion," is a question the writer has been trying to solve for several years, and it is one which must confront every ambitious young man. A bank clerk is so much at the mercy of circumstances, however, that it is not easy to lay down any definite rule on the subject.

Obedience, punctuality, courtesy and honesty may be said to be essentials in the office, whilst uprightness, integrity and reticence about the bank's affairs or those of its customers, are essentials outside of it.

A man may make himself useful by procuring information about customers or others. This may be such as to save the bank from probable loss, or that would be the means of introducing new customers to the bank and thus helping to build up its business. It is of the greatest importance to a bank Manager to obtain early and accurate information of occurrences in the financial world or in any way connected with the bank's customers or correspondents. The most important source of information to a banker is found in the newspapers, and any one who reads these systematically must be well informed upon current events. Very little goes on that does not appear in the daily press in one form or another, and when one supplements this with careful reading of the summaries in the periodical financial journals and magazines, a valuable stock of information is acquired.

By personal contact with men outside of the bank one often picks up valuable news, and the acquaintance of brokers and club men in the large cities as a source of information, is often worth cultivating. By taking an interest in the affairs of the community in which he lives, the bank clerk stationed in a rural district soon becomes acquainted with every one in the place. Gossip generally abounds in such places; people are forever talking about their neighbors, and one who has his eyes and ears open is pretty sure to learn of little occurrences that may prove important when transmitted to the proper quarter. A straw shows which way the wind blows, and so gossip often proves the stray shadow of coming events. Information gathered in this or any other way should be immediately conveyed to the Manager or other responsible person.

In all departments of life a gentlemanly and kind attention to men with whom we have business relations is cheap, but very valuable capital, and this is particularly applicable to bank officials. Affability and agreeableness to the bank's customers is always appreciated, and this courtesy should not be limited to banking hours. One's personal affairs should always be so managed as not to reflect adversely upon oneself or the bank. Debts should not be contracted and gambling and improper associations of any kind should be carefully avoided; they only detract from a man's own dignity and serve to bring the name of the bank into disrepute,—for people never seem to forget that you are a "*Bank Clerk*."

There is no mercantile profession in which Character plays so prominent a part as banking. It is character that inspires the public with confidence, and confidence is everything to a bank. In times of financial distress and trade depression, it is to the executive officers of a nation's monetary institutions that the people turn for relief, and panics and financial disasters have been minimized, yes and avoided altogether,—because the people placed sufficient confidence in the bankers to act upon their suggestions and follow their advice. Such occurrences do not take place simply because the banks are the custodians of the people's wealth, or because those who manage them are better fitted to grapple with them, but also because the people have faith in the *character* of bank officials for honesty, integrity and reliability. Now I am aware that these remarks seem to soar above and are not therefore applicable to officers holding subordinate positions in banks, but if character forms so great a factor in the higher officials, it must assert itself and be cultivated by those who are at present young in the profession. "The child is father of the man," and the bank clerk of to-day, who will (it is hoped) be the financier of the future, must so mould his character as to inspire those with whom he *now* comes in contact with a certain degree of confidence, which will widen as he grows older and become more powerful and widespread as he approaches the pinnacle of fame to which so many beginners are looking forward to-day.

Gilbart, an eminent English writer, expresses himself upon this subject as follows: "Banking exercises a powerful influ-"ence upon the morals of society. It tends to promote honesty "and punctuality in pecuniary engagements. Bankers for their "own interests have always a great regard to the moral character "of the party with whom they deal. They enquire whether he be "honest or industrious, tricky or idle, prudent or speculative, "and they will more readily make advances to a man of moder-"ate property and good morals than to a man of large property "and inferior morals, and the banker's goodwill will be the "means of procuring for him a higher degree of credit with the "parties with whom he trades. . . . They encourage the "industrious, prudent, punctual and honest, while they discoun-"tenance the spendthrift, gambler and knave."

In addition to being prudent, courteous and industrious, to be a successful banker one must have a keen knowledge of human nature. For business purposes it is often necessary to approach men upon subjects about which they are extremely sensitive. To obtain private information and draw from a man secrets he does not wish to disclose, without offending him, is a most desirable faculty and one which enhances a man's usefulness to a bank.

The general utility of a man, however, as has already been stated, is largely governed by circumstances. The place in which he is located, the position he occupies, and the people with whom he comes in contact, all afford opportunities for making himself useful, and to show precisely how he can make himself *most* useful is rather difficult. Our remarks thus far have dealt chiefly with the manner in which one can be of service to the bank when not in the office, during which time he is not under the immediate supervision of the bank.

A man can make himself useful during office hours by cheerful compliance with the rules, by manifestation of interest in his work and a desire to help whenever and wherever his assistance might be necessary, and by intelligent application to the duties assigned to him. A man should also try to obtain some knowledge of the other positions in an office, so that in case of emergency he could fill a vacancy without much trouble; he would thus be very useful to the bank.

Before concluding these imperfect remarks we are constrained to look about and see who the men are that stand at the head of our profession to-day, and to ask by what means *they* have arrived at such exalted positions. It is very unfortunate that the information gleaned from books upon this subject is very scant indeed, for beyond an occasional brief sketch in some financial periodical, the biographies of the "Men who have risen" are not yet public property. From all available sources, however, we learn that the general managers, cashiers and agents of our leading institutions, are first of all men of experience. Secondly, they are highly educated and thoroughly versed in banking lore; and thirdly, they are men who have made the best use of their opportunities, and whose characters are unblemished by dishonesty, corruption or immorality. Many of them received their education and early training across the Atlantic; others, and some of the most notable, have been brought up entirely under the Canadian system, and a few have never wandered outside the fold of their own institutions or the bounds of the Dominion. They are men of keen observation, who have become thoroughly familiar with the methods and peculiarities of doing business in the various localities in which their lot was cast. They are thoroughly conversant with the resources of the country, its trade and commerce.

Some years ago at the annual meeting of one of the banks, the President—referring to its executive officers—spoke as follows: "I have no hesitation in saying that in them we have "men of the highest character and integrity, enthusiastic in the "study of their professional duties, thoroughly devoted to this "Institution, from whom the Shareholders may expect services "of an eminent kind."

Further expatiation on our subject is unnecessary; these words afford ample evidence as to how these and other prominent bankers have achieved success, and it is clear that those young men to-day who would attain to eminence in the profession also, must pursue a course based upon such principles. What then can be better than to emulate the examples of such men? By so doing we cannot fail to be of service to the bank and thus place ourselves on the best road to promotion.

ON THE EARLY CURRENCY OF CANADA.

"*Broadly speaking, the currency history of Canada consists "in a transition from the French écu to the silver Spanish dollar, "and from that to the gold dollar of the United States.*"—Chalmers, Currency of Canada.

In studying the records of the Trade and Commerce of Canada in the library of Parliament and the Dominion Archives at Ottawa, I was struck by the great want expressed at all times of an adequate circulating medium. The lack of currency seems to have been a great hindrance to the expansion of trade, from the early times when Canada was but a struggling colony on the banks of the St. Lawrence, well down into the present century. In the following sketch I have noted some of the devices resorted to, and others proposed but never brought into effect, to supply the place of money.

During the "Old Regime" in Canada, France seems to have been very liberal to her distant colony, granting almost every petition for aid from those colonists desirous of starting in any industry, but owing to the fact that all supplies had to be received from the mother country and that the colonists produced almost nothing, the only export for a long time being in furs, and this trade chiefly in the hands of monopoly companies, it took all the money they could scrape together, and often would have required more, to adequately supply their necessary wants.

✓ This want of money seems to have been of great moment to the Intendants, who had no means to pay the troops, which it was necessary to keep constantly under arms to hold the Indians in subjection. In consequence of this want all sorts of measures were adopted to keep what money came into the country in circulation, hence we find the court of Versailles in 1670 causing a special sort of money to be coined for use in Canada, not to exceed in all 1,000,000 francs, and setting a nominal value upon it of one-fourth part less than the current coin of the mother country. This, however, had no effect, no doubt owing to the fact that those supplying the colonists with necessities had to receive this money at its nominal value, or nothing, and may we not feel assured that those supplying the goods so regulated their prices as not to lose anything.

In the early part of the "Old Regime" beaver skins long served as a currency, and in 1669 the council declared wheat a legal tender at four francs the minot,* and five years later all creditors were ordered to receive moose skins in payment, at the market rate.†

It was customary for the Intendants to pay the troops in January of each year, but as the money for that purpose did not arrive until late in the spring, they were often sore pressed to satisfy the soldiers, hence we find that the Intendant, Jacques de Meulles, conceived the idea in 1685 of issuing the famous "Card Money." So much has been written about the early fiat money of Canada (Wampum and the Card Money) that it is not my intention to do more than make passing mention of the same. Wampum consisted of small tubes three-quarters of an inch long made from sea shells worked up into Wampum Belts. These were of two colors, white and blue. The shells for the latter were brought from the Gulf of Mexico. Their value in exchange was, for the white, one sou or half penny, and for the blue, two sous or one penny.

Wampum was at one time a legal tender, but ceased to be so in 1670. It, however, continued to be used amongst the colonists for about thirty years, and some writers say amongst the Indians as late as 1825. That it was used until about 1800 is no doubt true, for we find an act passed by the legislature of Lower Canada in 1793 to permit the importation of Wampum. This form of money early ceased to be of value, however, owing to a cheap imitation in glass being brought over from Europe.

The first issue of Card Money, as before stated, was in 1685, in bills of three values, four francs, forty sols, and fifteen sols.

These denominations were chosen as they enabled the Intendant to make the necessary change for a soldier's monthly pay.

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* About three French bushels.

† Edits. and Ords

Redemption of this issue was so thorough that to this day not one specimen can be found; even those sent home to France as samples are missing.

The second issue was by M. de Champigny on 19th Nov., 1690, who repeated it in 1691 and 1692, owing to the supplies from the old country being lost. Of these issues, as of their predecessor, no stray specimen has ever turned up.

This card money seems to have been issued at intervals, the denominations of each issue varying considerably, until 1714, when the amount had risen to about two million livres, and not having been regularly redeemed, they fell into discredit. A settlement was however reached in this year to the extent of one-half of the amount outstanding, and all further issues forbidden. This did not last long, for in 1717 this card money was renewed, and again in 1729, and continued until Oct. 15th, 1759, when by a decree of France, the payment of expenses for the colony was stopped. After a great deal of correspondence from the chief holders of Canada paper money, a committee was appointed in London, to whom a power of attorney was given, dated 27th Dec., 1765, which gave them power to make what settlement they could with the Court of France of all bills then outstanding.

The French Government seems, however, to have thrown many obstacles in the way of a just settlement. One was the appointing of a date, Dec. 25th, 1766, by which all bills must be presented. This, however, was not satisfactory to the committee, as it did not allow sufficient time for the remote settlers in Canada to send in their claims. After much correspondence the French consented to make the time for redemption commensurate with distance.*

It was also proposed to liquidate the paper money by granting the holders thereof stock in the French Funds, but to this they made objection, as owing to a recent reduction in the interest on these securities, they had fallen to 24 per cent. below par on the London market. The holders eventually had to accept stock, however, bearing interest at four per cent., and afterwards four and one half per cent.

The merchants of London, trading in Canada, seem to have been large holders of this suspended paper money, and not being satisfied with the result of the committee's progress, so far, they petitioned Parliament, in November, 1766, to intervene and demand a settlement. To this petition is appended a memorandum explanatory of the Canada paper, which I will quote:

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* As per memo. of French Ambassador, Nov. 11, 1766, transcript in Canadian Archives.

"The Paper Money of Canada is of two different kinds, viz: Bills of Exchange and Ordinances and Cards; the first consisted of Bills drawn from the Colony, by the Paymasters or Tresoriers, on the King's Treasury in France, which were regularly discharged until the 15th Oct., 1759, when their payment was suspended till after the peace. These Bills were issued in the month of October of every year, to all such persons as paid a value for them in specie, or in Ordinances and Cards, and were a convenience for the Merchants in Canada, who were thereby enabled to remit their property to their correspondents in Old France, without risk or loss, the said Bills being drawn in firsts, seconds and thirds. The second sort of paper money was in Ordinances and Cards, which were issued by the Intendant in Canada, in payment of all the expenses incurred in the Colony, in the service of the King of France. These Ordinances and Cards being made payable to the bearer, were esteemed by the inhabitants of equal value with specie, and accordingly became, in time, almost the only currency in the Colony; and the bills of exchange aforesaid. When the conquest of Canada was made by the English, there naturally remained a very large amount of the above paper money undischarged, which continued so to the last 'Treaty of Peace,' by which that Colony being ceded to the Crown of Great Britain, the Canadians became British subjects, or at least such part of them as remained there after the expiration of the term granted them to retire to France, and the Court of Great Britain, by this acquisition, contracted a right to demand the payment of their property, which of course became British.

"Whilst the Treaty of Peace was in agitation, some merchants, amongst whom was Mr. Vilars, represented the case of the Canadians to the Administration, in consequence of "which the following declaration was obtained from the Court of "France, relative to this object, and the same was annexed to "the Treaty of Peace." *

The declaration referred to is too long for quotation here, but provides for the punctual payment of all bills.

That this promise was not fulfilled is evidenced by the fact that a final settlement of this paper money was not reached until the year 1772, and then at a loss of about fifty-two per cent.

In mentioning the final liquidation of this paper I do not want to convey the impression that its issue was detrimental to Canada—far from it, for a perusal of the history of the eighty years that it was in circulation shows that much was accomplished by it, and in the hands of a people more progressive in agriculture and commerce it might have been of inestimable value. Its final collapse only occurred when the Government of France relaxed its control, and thereby permitted the Intendants to issue it at will, for selfish purposes.

After the final withdrawal of the card money the colonists had to revert to what specie they could get, to make their payments, or where this was not to be had, they were compelled to give their promissory notes, which seem to have circulated from hand to hand as indicated by a letter of Lieut.-Governor Simcoe quoted later on.

The first act of the British in connection with the currency of her newly acquired colony, was to pass an Act on September 14th, 1764, which came into effect January 1st, 1765, laying down ratings for the various coins in circulation, on the basis of a proclamation of Queen Anne, in 1704. This Act was repealed in 1768, as the clipped and worn state of the coins made it impossible to establish any true relative value in them.

In 1777 proclamation money gave way to Halifax currency.

In all their letters to the Home Government the British

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* From Transcript in Canadian Archives.

Governors, as their French predecessors, refer to the scarcity of a circulating medium and are constantly sending requisitions for specie, which are more often refused than filled.

We, therefore, find Lieut.-Governor Simcoe, in a long letter, dated September 1st, 1794, upon the State of the Colony, addressed to His Majesty's Lords of Trade,* drawing attention to the languishing state of trade, especially the export trade. He gives as his opinion that two things are necessary to revive this, viz.: that the colonists should be encouraged to adopt a staple article of export and that they must have an adequate circulating medium. To kill these two birds with one stone he proposes the following novel scheme, which I will present in his own words:

"I should state that during the late war, being in Virginia, "I was so forcibly struck with the advantages derived to that "colony from the use of notes, on the receipt of tobacco, as a "circulating medium, that I have ever since retained the "strongest impression of its utility. I have been lately "informed that Brissot the Frenchman had adopted similar "ideas from the same observations. That as it is proposed "that a sum of money in specie be sent from England, this "shall be taken over by a board of trustees, to be composed "from members of the Legislature and the chief merchants, "that they erect a general storehouse for flour at Montreal "below the rapids, and branch houses at the termination of "navigation of the different lakes, that a head inspector be "placed in charge of the general storehouse, and minor "inspectors at each of the branch houses, to adjudge the "quality of the flour and so keep it up to a certain standard. "The price to be paid for the flour, to be fixed from the average "prices current for the past three or four years. That for "every barrel received a note should be given, to be payable in "gold or silver, on demand at stated periods. That these notes "be made a legal tender in ~~payment of all taxes~~."

These notes he goes on to say "will circulate freely amongst "the people, and will be preferable to the merchant's notes now "existing, whose excess cannot be regulated or regulate itself,

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* Transcript in Canadian Archives.

"and whose mode of payment is not unconditional." He further points out that another good feature of this scheme is that by it, the Government would have control of the flour trade and thus prevent it becoming a monopoly of a few merchants.

This proposition does not seem to have met with the approval of his Majesty's advisers, for there is no record of its adoption, and the unsatisfactory state of the circulating medium becomes more apparent every year.

On June 3rd, 1796, an Act was passed by the Legislature of Upper Canada providing for the better regulation of certain coins current in the province, and enacting that the British Guinea, Johannes of Portugal, Moidore of Portugal, American Eagle, British Crown and Shilling, Spanish Milled Dollar, Spanish Pistoreen, French Crown, and several other French pieces, and the American Dollar, should be legal tender at certain specified values. This was but following the Province of Lower Canada, which had passed a similar Act on 7th May, of the same year. The punishment for knowingly tendering a counterfeit of any of the above coins was imprisonment for one year and to be set up in the pillory for one hour in a conspicuous place, and for a second conviction, to be adjudged a felon without benefit of clergy. As the Acts referred to did not establish an accurate relative value of gold coins, they were amended in Lower Canada in 1808, and in Upper Canada in 1809. We find the circulation of Canada for the next few years made up of a variety of coins of different nations, and it seems to have been a matter of great difficulty for the Legislatures of the two Canadas to establish a satisfactory standard of value.

This brings us down to the year 1812, the date of the issue of the "Army Bills," the first authorized paper circulating medium since Canada became a British possession. These Army Bills were issued for the purpose of supplying funds for the American war, as will be seen by the following extracts from official correspondence, which will also show with what complete success this measure was attended.

W. H. Robinson, Commissary General, addressing Lieut.-General Sir Geo. Prevost, under date July 30th, 1812, states: "That one-third of the militia of Upper Canada have been "called out, that it will require £15,000 a month to pay them,

" that he has no money, and recommends that his Excellency " petition His Majesty's Government to send out a supply of " specie, notwithstanding the prospect of a paper medium."[*]

Lieut.-General Sir Geo. Prevost writing to the Earl of Liverpool, under date 18th September, 1812, says: " The " series of difficulties, long experienced, in obtaining specie for " the subsistence of the forces under my command are at an " end, by the declaration of war on the part of the United " States, which closes the source from which it came. It has, " therefore, become imperiously necessary to establish a paper " medium as a substitute for money, as it appears none can be " sent for the service in Canada, from England, and I am now " about seeking the aid of the Provincial Parliament to give it " value and currency; upon which measure I shall have the " honor to report more fully to your lordship, when the " arrangements for the operation of the intended substitute are " complete."[†] A postcript to the same letter says: " My total " inability to supply Upper Canada with specie compelled " Maj.-General Brock to resort to a paper currency upon the " war commencing, a measure which has been attended with " considerable success, enabling him to pay his militia forces " now embodied, amounting to about 4,000."

The following is taken from the draft of the Bill to Incorporate the Army Bills, sent from the Executive Council to his Excellency the Governor in Chief, dated 6th July, 1812:

" That for the purpose of maintaining the means of circu- " lation and answering the exigencies of the public service, " the Governor, as commander of His Majesty's forces, should " from time to time prepare, or cause to be prepared, any " number of bills, to be denominated Army Bills, containing " one common sum or different sums, the total not to exceed " £250,000 currency. That the said bills be for $25.00 each " and upwards, to bear interest at four pence per hundred " pounds per diem. Said bills to be, at the option of the Com- " mander, payable on demand in cash, or in Government Bills " of Exchange on London, at thirty days sight, at the current

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[*] Transcript in Canadian Archives.

[†] Transcript in Canadian Archives.

"rate of exchange. This total issue of £250,000 to include an "issue of $4.00 Army Bills. These small bills to be payable at "the Army Bill Office in cash to bearer on demand. Except "the $4.00 bills, all Army Bills when once redeemed are not to "be re-issued." *

This seems to have met with the approval of His Excellency, for on August 1st, 1812, the Legislature of Lower Canada passed an Act providing for a total issue of £250,000 currency in denominations of $4.00 and $25.00 and upwards. On 15th Feb., 1813, an Act was passed to increase the total issue to £500,000 currency. In 1814 an Act was passed not only increasing the total issue to £1,500,000 currency, but providing that out of that an amount not less than £200,000 and not to exceed £500,000 should be in bills of $1.00, $2.00, $3.00, $5.00 and $10.00, such bills to be redeemable in the same manner as the larger denominations, viz., by Bills of Exchange on London, only they were not to bear interest, but any person holding any of these smaller bills should be at liberty to demand in exchange, Army Bills of $50.00 and upwards bearing interest.

Following is a recapitulation of the issues:

Bills redeemable in cash or bills of exchange of $25, $50, $100 and $400	£2,793,612	10	0
Bills redeemable in cash or bills of exchange of $1, $2, $3, $5 and $10	551,500	0	0
Bills redeemable in specie only of $4	52,131	0	0
" " " " $1	44,750	0	0
Total	£3,441,993	10	0†

The Acts authorizing the issues of these Army Bills were all repealed in 1817, liquidation took place, and on the 24th December, 1820, the Army Bill Office was finally closed.

Judging from comments these bills seem to have supplied a much felt want in all directions, although they were at first received with much prejudice.

In a letter from Downing Street dated 1st October, 1812,‡ His Majesty expresses satisfaction at the relief afforded by the

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* From Journal of Legislature of Lower Canada, 1812.

† Chalmers on Colonial Currency.

‡ Transcript in Canadian Archives.

Army Bills, and recommends that the measure which he advocated, of applying all moneys taken on prize vessels brought in for adjudication, be applied to the expenses of the Government service.

Letter of 5th November, 1812, from Lieut.-General Sir Geo. Prevost to the Earl of Bathurst, contains this paragraph:

"My former despatches will have informed your Lordship "that the disadvantages under which I had laboured, from the "want of specie, had been effectually removed by the issue of "Army Bills, which are now concurrently circulated and re-"ceived as cash." In the same letter he also says:

"I attribute the successful circulation of the Army Bills, "against which the Canadians had such a prejudice, to the "efforts of the Catholic clergy." *

Mr. McMullen, in his History of Canada, in quoting from the Quebec *Gazette* of that time, says of the Army Bills: "They "have enriched the country, not so much by the interest they "paid as by stimulating the prices of its commodities and "giving great facilities for the purchase of Government Exchange "on London."

While looking through the Colonial Records of this time, I came across an interesting document in the form of an essay on Canadian finance, by a man named Charles Stuarton, addressed to the Earl of Liverpool, and dated North America, 1812. In the course of this essay he points out that the amount of specie imported by Canada, from England, has for the last few years averaged half a million sterling, which loss Britain must have severely felt, owing to expensive resistance of Bonaparte in Europe. That in view of the impending war with the United States, Canada would require this amount largely augmented, even if the war is to be purely a defensive one, and hazarding the opinion that this want could not be supplied. He goes on to say that perhaps a time of war is not the most opportune to make monetary innovations, but points out that war raged when the charters were granted to the banks in Venice, Genoa, Amsterdam, Vienna, St. Petersburg and England, and that the foundation of Bonaparte's Empire rests upon paper money, and gives as his opinion that a paper circulating medium would be advantageous to Canada at this juncture also. This might be accomplished, he says, by the Bank of England establishing a branch of issue in Canada, as the notes of a corporation of such high standing would be readily accepted by the people, and if made payable in London as well, would put a stop to losses on Exchange, which are considerable. He emphasizes his plea for a paper money by pointing out what the sixty-four banks, then circulating it in the United States, have done for that country, and what might have been done if in abler hands.

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* Transcript in Canadian Archives.

The Army Bills seem to have relieved the currency question for a few years, but they were no sooner liquidated than we find the old difficulty of creating a satisfactory relative value between the various coins in circulation presenting itself again.

In Lower Canada in 1819 the French gold and silver coins struck since 1792 were admitted to unlimited legal tender. By this step the silver French coins were practically made the standard of value in Lower Canada, while in Upper Canada, at this time, the Spanish dollar and its subdivisions were the standard of value.

About this time another factor in the circulating medium makes its appearance, viz., bank notes.

On January 19th, 1818, a petition was presented to the Legislature of Lower Canada, by citizens and merchants of Montreal, praying incorporation for a bank, in which they stated the bank, under the name of the Bank of Montreal, had been doing business for some time, but that it was desirable to have authority from Parliament. This petition was referred to a special committee consisting of Mr. Cuvillier, chairman, and Messrs. McCord, Niger, Davidson and Lacombe. These gentlemen reported in favor of granting the petition, and on 23rd January, 1818, the Bill to incorporate the Bank of Montreal had its first reading, and after passing through the various stages of parliamentary procedure it was assented to and sent up to the Legislature Council for approval, on 11th March, 1818.* In this year the Quebec Bank was established, and received incorporation in 1819.

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* From Journal of Legislature of L. C., 1818.

Upper Canada in 1819 passed an Act incorporating the "Bank of Kingston," or as it was afterwards called the "Pretended Bank of Upper Canada," but this charter was forfeited by non-user, although the same company appear afterwards to have done business as the President, Directors and Company of the Bank of Upper Canada. Legislation was made in 1823 to settle the affairs of the Pretended Bank, which had practically merged into the Bank of Upper Canada, His Majesty having given his consent to the Act incorporating that institution in 1821.

I find Mr. Breton, in his Coins and Tokens of Canada, makes mention of a note for 5 Shillings, issued by the Canada Bank 10th Aug., 1792, and Mr. Johnstone, in his First Things in Canada, gives as the first bank note issued that of the Canada Bank in 1792, for 5 Chelins. The Official Gazette in Quebec of 18th Oct., 1792, contains a proposal for a Canada Banking Company, and Mr. Stevenson, in one of his papers on the money of Canada, says that such a company was formed, but that it was only of a private nature and a bank of deposit principally and not of issue. There can be little doubt that these references relate to the same Company, which would seem to be really the first Banking Company of Canada.

The incorporation of these banks, and of others which were started after 1821, with their powers of issuing notes, no doubt greatly relieved the currency question, but if the circulating medium was more adequate it seems still to have been in a very unsettled state.

In 1821 the New York currency system was prohibited in the rendering of accounts, the Halifax currency alone being authorized.

In 1828 the amount of paper money had so increased in volume that specie was rarely seen. This paper was not all the issues of Canadian banks, however, for there seems to have been a great quantity of American paper money circulating in Canada at this time, amongst which, we are told by historians, were many counterfeits.

In 1834 the United States passed to a gold standard, whereby the old eagle passed for $10.67, and the sovereign for $4.87

instead of $4.44. This seems to have had the effect of draining Canada of all her gold.

In 1836 an Act was passed in Upper Canada increasing the value of the British crown to six shillings currency, and the British shilling to one shilling three pence currency, in consequence of the large amount of Canadian bank notes presented by foreign holders for redemption for specie. This, however, had only the effect of driving out of circulation all other coins, as by the Act the British shilling was overvalued.

In 1837 we find, owing to the presentation of these notes by foreign holders, who were the agents of United States banks, themselves short of specie, and who had taken this measure to replenish their stock at Canada's expense, the Canadian banks were obliged to suspend specie payments, at least the Lower Canadian banks. Johnson says in this connection: "In 1837 "the Lower Canadian banks suspended specie payments for the "first and only time. Parliament was summoned to allow the "banks in Upper Canada to suspend specie payments, the law "in their case making repudiation of notes to result in suspension "of charter, but Sir Francis Bond Head, the then Governor, "successfully opposed the motion, and the banks were carried "through the crisis."

At this crisis the Province of Upper Canada asked for a special silver coinage, but was refused by the Home Government. About this time (1837) the issues of notes by private bankers and firms had assumed alarming proportions, there being at least thirty-eight firms in Upper and Lower Canada issuing notes, ranging from six sous to two dollars. A specimen of one issued by the Distillerie St. Denis may be seen in the library of Parliament at Ottawa; it is printed in English and French, upon a piece of white paper about three inches long by two in width; it reads: "For value received we promise to pay "the bearer on demand, in Bank of Montreal notes, the sum of "ten sous."

The Legislature of Upper Canada, however, put a stop to these issues by an Act, passed in this year, by which only authorized banks were to be allowed to issue notes.

Lower Canada followed example in 1839, by a similar Act, adding a clause prohibiting the issue of notes, even by banks, for less than five shillings currency.

The two Canadas being united in 1840, an Act was passed in 1841 repealing all past currency legislation, and creating as the new basis a pound currency.

In this year a tax of one per cent. was imposed on bank circulation.

In 1850, Parliament of the Province of Canada passed an Act establishing freedom of banking, restricting, however, the issue of notes to authorized banks, who were required to deposit with the Government Provincial Securities for the full amount of their note issue, the one per cent. tax being abolished.

In 1851 an Act provided that accounts might be rendered in pounds, shillings and pence, or dollars and cents. This was repealed in 1857, making it compulsory to render them in dollars and cents.

In 1851 it was proposed to strike a pound currency in gold, to contain 92.877 grains pure gold, but nothing came of it.

On December 10th, 1858, were struck at the Royal Mint the first purely Canadian coins ever issued; they were of twenty, ten and five cent pieces in silver, and one cent in copper. These must have come as a great boon to the people of Canada, as the means for making change, previous to this, were most inadequate. One gentleman who started life as a dry goods clerk, in Perth, in the forties, tells me that they were so hard pressed for change that they used to cut the American fifty cent pieces, then much in circulation, in four pieces, keeping a chisel and hammer for the purpose.

In 1866 the first legislation providing for a permanent issue of Government notes was passed, followed in 1868 by an Act of the Dominion, and later on by other Acts affecting the currency, coinage, issue of bank notes, etc. The history of these requires treatment at greater length than space can be provided for here, but anyone who will follow the successive Acts passed since Confederation will find the wisdom of them made patent in the results. Canada, to-day, is supplied with a circulating medium in every way most satisfactory, and it only remains for the rising generation of bankers in Canada to keep well in touch with the progressive nature of our country, that they may be in a position, when occasion demands, to suggest to our lawgivers the lines upon which legislation on such matters should be made, and thus do their share towards avoiding the rocks and shoals upon which the Ship of Commerce has been, so often, well nigh wrecked in many an older country.

J. W. HAMILTON.

Ottawa, June, 1894.

CORRESPONDENCE.

To the Editing Committee:

Dear Sirs,—In response to the invitation contained in your circular of 1st inst., I have ventured to address two or three questions that I think it may be of interest to refer to in the Journal.

1st. Is it desirable to move the Dominion authorities to revise the list of bank holidays in the same direction that was done in England recently by Sir John Lubbock's influence? With the exception of Dominion Day, all the statutory holidays fall at a season when the weather is such that they cannot be properly made use of and enjoyed by the banking fraternity. I should like to see the English plan adopted of arranging a holiday at reasonable intervals all through the fine summer months.

2nd. Can anything be done to get rid of the nuisance caused by the circulation through Canada of the twenty cent silver coin issued by the Newfoundland government?

Several years ago the Canadian coins of that denomination were called in, and wisely so, in my humble opinion. They are by no means easy to detect now from our twenty-five cent coins, except perhaps to those having very keen sight, and as both coins become worn with use, the difficulty will increase and become an intolerable nuisance to those who have to handle many of them. A large amount is in circulation in this province at the present time.

3rd. Can any action be taken by the banks generally to place a limit upon a practice that is fast growing into an abuse of banking facilities? I refer to the large number of small drafts made by parties on customers who carry on business at some place where no branch or agency of any bank is established, and where the drawee can only be reached by mail. These drafts are generally made for small amounts, and being sent with no protest directions attached, are returned very often on a most frivolous pretext or refused acceptance for no sufficient reason. Many are returned unpaid, after the bank to

Legal Decisions Affecting Bankers.

IN THE SUPREME COURT OF CANADA.

M. O'Gara (Defendant) Appellant, and The Union Bank of Canada (Plaintiffs) Respondents. On appeal from the Court of Appeal for Ontario.

Surety—Interference with rights of Surety—Discharge.

The facts of this case, as they appear in the proceedings and the various judgments rendered, are briefly as follows:

O'Gara was an endorser for Starrs, Askwith & Co., contractors on the Atlantic & North-Western Railway, on notes discounted by the Union Bank. The railway in question is the Maine division of the Canadian Pacific Railway Company, which virtually owned the A. & N. W. Railway, although the latter was an entirely distinct corporation, under United States law.

The Bank held an irrevocable order on the Canadian Pacific Railway Company for all moneys coming to the contractors on their work on the Atlantic & North-Western Railway, and authority to execute binding receipts therefor on their behalf. The contractors authorized the Bank to use moneys so received in payment of notes endorsed by O'Gara, but the full understanding on this point was that the moneys should be paid out again to the contractors when required for the prosecution of the work, and that the surplus only was to be used in paying the notes.

The contract was found to have been taken at a loss, and after some months' work, the moneys earned meantime being paid to the Bank, the contractors came to a standstill, and the company served notices (as provided in the contract) that they would take the work out of the contractor's hands if certain steps were not taken. The contract was not, however, actually taken out of their hands, but the company, with their consent, assumed and paid certain claims of sub-contractors for materials (including provisions and other supplies) amounting to $24,983, and also paid wages amounting to $79,160.

Subsequently the Union Bank, in consideration of the Railway Company returning to it a cheque for $15,000, which had been lodged as security for the fulfilment of the contract, gave a receipt, with the approval of the contractors, but not of O'Gara, admitting the regularity of the payments for wages and supplies above mentioned.

The endorser, O'Gara, claimed to be released, because the Bank had thereby voluntarily abandoned part of the security which, by virtue of the understanding, they held for his as well as their protection.

The Bank recovered judgment against O'Gara before Mr. Justice Ferguson. The reasons given by the learned Judge for his opinion were: the nature of the assignment, which would have given O'Gara the benefit of the surplus only, and no surplus existed; that the payments made by the Railway Company were precisely equivalent to what would have taken place had the money been paid to the Bank; and that the two companies were entirely distinct, so that the order only bound moneys paid by the Atlantic & North-Western Railway to the Canadian Pacific Railway to be paid over to the contractors, and did not interfere with the right of the Atlantic & North-Western Railway to arrange with the contractors to pay out a portion of the estimates in other ways.

A motion in the Common Pleas Division to set aside this judgment was dismissed, the learned Judges concurring in Mr. Justice Ferguson's views as to the position of the two Railway Companies.

The Court of Appeal for Ontario, where the case was next carried, was equally divided. The Chief Justice (Osler, J. A., concurring) held that the payments for supplies, material, etc., were properly made according to the true meaning of the contract, and that all the moneys that were properly coming to the contractors had been paid to the Bank. On the other hand, Burton, J. A., held that the Canadian Pacific Railway was the real party to the contract, and Maclennan, J. A., that both companies had notice of, and were bound by, the assignment of the moneys to the Bank; and both these learned Judges held that the payments for supplies, etc., were unauthorized, and that the Bank could have recovered from the company the amounts so paid, so that in ratifying the payments it had abandoned part of its security, to the detriment of the endorser, O'Gara. This, in Mr. Justice Maclennan's opinion, was a breach of the understanding which lay at the root and foundation of the contract of suretyship, and the surety was thereby wholly discharged.

The majority of the Supreme Court, consisting of the Chief Justice, Fournier, J., and Sedgwick, J., allowed the appeal of the Defendant O'Gara, Gwynne, J., and Taschereau, J., dissenting.

In the judgment of the Court, delivered by Mr. Justice Sedgwick, and in Mr. Justice Gwynne's judgment dissenting, the right of the Railway Company to disburse the $24,983 mentioned, in payments for supplies, materials, etc., without the consent of the Bank, is very fully considered. (The payments for wages were covered by an express clause in the contract, and were not disputed.)

The contract authorized the Company after certain notice, to provide and employ workmen, horses, materials and plant, and deduct the cost of the same from the amount due the contractors. In the judgment of Mr. Justice Gwynne, it is held that such disbursements came within the terms of the contract, and that the moneys so disbursed therefore never became payable to the contractors, or came within the scope of the assignment to the Bank.

The judgment of Mr. Justice Sedgwick on this point is adverse to the Bank. He finds that the debts so paid were partly contracted before the giving of the notice, partly after, that the Company's intervention was partly in the way of guaranteeing the Contractors' debts, and partly in payment for provisions, which could not be classed as "material" in connection with such work, and declares that such payments were not covered by the terms of the contract, but were entirely unauthorized. In the opinion of the learned Judge, the aquiescence of the Bank in these payments was a clear variation from the terms of the original understanding between the Bank and Mr. O'Gara in regard to the assignment, upon the faith of which he made the endorsement in question.

On this opinion as to the facts, he then discusses the law:

"If this is the correct view, any material variation of the terms of the original contract made between the principal debtor and the creditor will always discharge the surety. If it clearly appears that the surety became surety on the faith of the original contract, he is likewise discharged, irrespective of the question of materiality. *A fortiori* must this be so where, as in the present case, the surety actually stipulates that securities shall be given to the creditor, and the creditor, without the assent of the surety, subsequently relinquishes such securities."

He decides that the ratification by the Bank of the payments made by the Railway Company was a variation of the contract between the principal debtors and the Bank that all moneys were to be paid to the Bank, and that the endorser was therefore discharged.

On the further point as to the extent of the discharge, he says: "The contention that if there was a release at all it was a release *pro tanto* only does not, I think, apply. The principle, I take it, is that there is a total discharge where there is any variation by the creditor in a contract upon the faith of which the surety entered into his obligation. Where, however, the creditor has assets or securities in his hands (the surety having no connection with them) which may be applied by the creditor in reduction of the debt secured, any improper or careless dealing in respect of such securities may discharge the surety to the extent of the loss occasioned thereby. If, in the present case, after Mr. O'Gara had endorsed the notes in question, the bank as security for the payment of the contractors' indebtedness had obtained from them the assignment of their contract without the knowledge of, or apart altogether from, Mr. O'Gara, and if the bank through its negligence had failed in its duty in respect of such assignment so that a loss occurred, Mr. O'Gara would be released only to the extent of the loss, but certainly not to a greater extent."

The appeal was therefore allowed, and the judgment against O'Gara reversed. On a subsequent application leave was granted for an Appeal to the Privy Council.

SUPREME COURT OF JUDICATURE, ENGLAND, CHANCERY DIVISION

In *re* Walker, Sheffield Banking Company vs. Clayton, Executor.

Principal and Surety—Counter security given by Debtor to Surety—Right of Creditor to benefit of.

The proposition that the principal creditor is entitled to the benefit of all counter bonds or collateral security given by the principal debtor to the surety, cannot be supported. Mawer vs. Harrison (1), cited in 1 Eq. C. Ab., p. 93, pl. 5, as the authority for the proposition, is not a decision to that effect

Action to administer the Estate of Hugh Walker, deceased.

On the 7th May, 1885, the testator guaranteed the current account of Spencer Brothers with the S. and R. Bank to the extent of £1,000.

On the 1st August, 1885, A. S., a member of the firm of Spencer Brothers, in consideration of the guarantee, gave the testator a mortgage on certain property and covenanted to indemnify him in respect of his guarantee.

On the 5th July, 1886, the testator gave the L. and Y. Bank, to whom the banking account of Spencer Brothers was then transferred, a guarantee to secure the payment of all moneys then or thereafter payable to the said bank by the firm of Spencer Brothers, not exceeding £1,000.

By memorandum of the same date, and by subsequent agreement in August, 1886, the wife of A. S. gave the testator certain security against this guarantee.

On the 9th September, 1887, the banking account of Spencer Brothers was transferred to the plaintiffs, and on the same date the testator, with the full knowledge and approbation of Mrs. A. S., gave the following guarantee to the plaintiffs:

"In consideration that you will make advances and grant other accommodation at your discretion to the firm of Spencer Brothers, of Sheffield Moor, Sheffield, wholesale grocers, I hereby guarantee the payment of all such moneys as the said Spencer Brothers are, or may, become liable to pay to you on current account or on any other account or in any manner whatsoever, but so that the total amount recoverable under this guarantee shall not exceed two thousand pounds. . . . And this guarantee shall, in the event of my death, bind and charge my estate in respect of transactions and dealings subsequent as well as prior thereto, and continue until notice shall be given to you by me, my executors or administrators, determining the same."

(The testator died, and his will was proved by defendants, his executors, on the 24th January, 1889).

On the 2nd August, 1889, Spencer Brothers became bankrupt, owing the plaintiffs £4,757 14s. 9d. The plaintiffs received certain dividends under the bankruptcy of the firm and from the separate estate of A. S., amounting in all to £1,777 17s. 6d., leaving the sum of £2,689 17s. 3d. due to them.

On the 6th June, 1890, the defendants recovered from the mortgage given by A. S. to the testator, the sum of £45 0s. 6d; and on the 6th December, 1890, they received a dividend of £169 10s. 3d. out of the separate estate of A. S., in respect of his covenant to indemnify the testator.

Under an agreement of compromise between Mrs. A. S. and the defendants, approved by the Court, £250 was realized from the security given by her to the testator, and received by the Defendants.

The plaintiffs claimed to be exclusively entitled to the above-mentioned sums of £45 0s. 6d. and £169 10s. 4d., on the ground that they were received by the defendants in respect of the counter security given by A. S. to the testator against his liability under the guarantee; and that they also claimed, on similar grounds, to be exclusively entitled to the £250 realized by the sale of the property comprised in the equitable mortgage; and further, that they were entitled to prove against the testator's estate for the balance of their debt.

Stirling, J. (stated the facts, and continued):

The plaintiffs' contention was founded upon two cases: the first is an old case of ***Mawer*** v. ***Harrison***. It is reported very shortly as follows: "A bond creditor shall, in the Court of Chancery, have the benefit of all counter-bonds or collateral security given by the principal to the surety; as if A. owes B. money and he and C. are bound for it, and A. gives C. a mortgage or bond to indemnify him, B. shall have the benefit of it to recover his debt." That case was decided in Michaelmas, 1692.

Morley, and Mary, his wife, for payment of his share of his father's estate, which he had already received in point of fact, though apparently an infant. Thereupon William Morley gave him a bond for payment of his share, and William Morley and Mary, his wife, began to sue the plaintiff, Thomas Mawer, in the Court of Exchequer, for payment under the bond which had been given by him. Thereupon the plaintiff instituted this suit of equity to restrain the action, and to obtain the delivery up of the bond which had been given by him. Now, of the other children who were interested in the intestate's estate, Thomas had died an infant and intestate, and Margaret was still an infant, and was not a party to the suit. The argument is stated in the Registrar's book. It is to be observed that the bill is by the person who gave the bond, to be relieved of it, and the result is thus stated in the Registrar's book: "The Court doth declare that the defendant, William, is well paid, and he must deliver up the bond to the other defendant, and give a release and decree the same accordingly." The bond there mentioned is, as I read it, that which had been given by William Morley to the defendant, William Harrison, for payment of his share. Whether that relief, being relief between co-defendants, ought to have been given by the decree, may be a question. Then it goes on: "Stay all proceedings at law on the plaintiff's £100 bond."—that is a mistake for £120, as clearly appears from the previous passage in the Registrar's note, where it is corrected in the margin, but the correction is omitted here, so that all proceedings on the plaintiff's bond were stayed—"till Margaret doth release, and when the plaintiff hath procured Margaret, who is not a party to the action, to release that bond, then that bond to be delivered up"—and so forth—"but then the plaintiff's bond to be at suit for the recovery of Margaret's moiety of £120." So that all that was decided in that action was this: that the plaintiff, who had given his bond of indemnity, was not entitled to have it delivered up to be cancelled till all claims had been settled. Under those circumstances, it appears that the point for which it was cited in I. Equity Cases, Abridged, could not have been decided in that case; and that at most the reported statement amounts to a dictum in the course of the argument. It is now nearly 200 years since this case was decided, and the sole authorities on a point which must have been of frequent occurrence are these: a dictum in 1692, a dictum early in the century by Sir William Grant in the year 1805, and what appears to be the contrary opinion of Lord Eldon a little later.

Under these circumstances, it seems to me that there is no real authority for the proposition in question; and, upon principle, I cannot see why a surety who takes from the principal debtor a bond or indemnity at once becomes a trustee of that for the principal creditor. That is really the contention of the plaintiffs. Of course, the other doctrine is well established, viz., that the surety who pays the debt is entitled to stand in the place of the principal creditor; but the doctrine contended for by the plaintiffs rests entirely on those dicta which I have mentioned.

It seems to me, under these circumstances, that I cannot give effect to the contention of the plaintiffs, and that they must simply be left to prove against the estate of the testator for what is due to them, without having the exclusive benefit of these securities in respect of which payments have been made to the estate.

PROVINCE OF QUEBEC

COURT OF QUEEN'S BENCH.

The Quebec Bank vs. Ward, *et al.*

(Communicated by Frederic Hague, Esq., B.C.L.)

This was a case growing out of a sale of molasses made by John Pinder & Co., merchants, to the appellants, Ward, *et al.*, to be settled for by a note at four months. This, according to the ordinary course of business, meant a negotiable note, but the appellants, who claimed that Mr. Pinder was indebted to them in a sum exceeding the price of the molasses, first delayed sending the note, and after he had taken proceedings to exact its delivery, thought it would be in their interest to give one which would be non-negotiable. They therefore got a number of blanks printed without the words "or order," or the words "or bearer," and sent a note for $2,808.33, at four months, for which one of these blanks was used, thinking it was non-negotiable, and Mr. Pinder accepted it without noticing the defect in the form. Then one of the appellants went to the Quebec Bank and told the Accountant that Mr. Pinder owed his firm from $3,000 to $4,000, that they had given a non-negotiable note to him, so as to be able to offset their account against it, and that he had better not discount it if presented: but the matter was not mentioned to the Manager. All this time a suit was pending between the appellants and Mr. Pinder, in which the former claimed over $3,000, and the latter denied all indebtedness and claimed on the contrary that about $500 was due to him.

Mr. Pinder subsequently became informed of the facts as to the note, but kept it, and later on asked the Manager of the Quebec Bank for an advance of $2,000 upon it, telling him the circumstances in connection therewith. The Manager, after consulting his solicitor, made the advance, relying on para. 4 of Section 8 of the Bills of Exchange Act, which says: "A bill is payable to order which is expressed to be so payable, or which is expressed to be payable to a particular person, and does not contain words prohibiting transfer or indicating an intention that it should not be transferable."

On an action being taken by the Bank for the amount of the note, it was pleaded that the note was non-negotiable, and that the Bank simply held it in the interest of Pinder. These pleas were over-ruled and it was held that the note was negotiable, as it was payable to a particular person and did not contain words prohibiting transfer or indicating an intention that it should not be transferable. Also, that where a note is received as collateral security from a holder, in due course, before maturity, and without notice of any defect in the title of the person who negotiates it, the creditor has all the rights of such holder as regards all parties prior to him, and he can recover the amount of the note from such prior parties. When the sum secured is less than the amount of the note, the pledgee, as regards the surplus, sues as trustee of the pledgor, and can recover if the latter could do so.

La Banque Nationale vs. Ricard *et vir.*

The bank discounted a note made by the wife, authorized by her husband, but the proceeds of which were used by the husband in his business. The Superior Court maintained the action of the Bank against the wife, holding that there was a presumption that she had received consideration, and that there was nothing to destroy this presumption.

However, this was reversed in appeal, the judgment being to the effect that article 1301 of the Civil Code governed. This article says, "a wife cannot bind herself either with or for her "husband, otherwise than as being common as to property; any "such obligation contracted by her in any other quality is void "and of no effect." Also the Court held that this rule was absolute and operates even against a third holder for value.

QUESTIONS ON POINTS OF PRACTICAL INTEREST.

The Editing Committee are prepared to reply through this column to enquiries of Associates from time to time on legal points, under the advice of Counsel where the law is not clearly established.

In order to make this service of some value to the Associates the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

STATEMENT OF BANKS acting under Dominion Government charter for the month ending 31st March, 1894, with comparisons:

LIABILITIES.

	Mar., 1894.	Feb., 1894.	Mar., 1893.
Capital authorized	$ 75,458,685	$ 75,458,685	$ 75,458,685
Capital paid up	62,110,249	62,105,409	61,945,554
Reserve Fund	26,655,036	26,655,024	25,274,165
Notes in circulation	$ 30,702,607	$ 30,603,267	$ 33,430,883
Dominion and Provincial Government deposits	7,117,359	6,533,882	6,014,707
Public deposits on demand	60,988,817	59,561,162	64,536,898
Public deposits after notice	108,754,069	108,570,761	103,700,904
Bank loans or deposits from other banks secured	....	....	166,290
Bank loans or deposits from other banks unsecured	2,713,748	2,370,423	2,500,071
Due other banks in Canada in daily exchanges	149,259	201,277	107,727
Due other banks in foreign countries	161,859	156,572	127,760
Due other banks in Great Britain	5,369,168	4,666,497	6,412,180
Other liabilities	281,982	276,704	367,547
Total liabilities	$216,238,956	$212,940,625	$217,365,066

ASSETS.

	Mar., 1894.	Feb., 1894.	Mar., 1893.
Specie	$ 7,484,284	$ 7,521,281	$ 6,162,891
Dominion notes	13,644,002	13,951,326	11,694,584
Deposits to secure note circulation	1,818,584	1,818,571	1,761,259
Notes and cheques of other banks	6,129,432	6,385,758	6,790,524
Loans to other banks secured	145	....	150,000
Deposits made with other banks	3,136,393	2,800,550	3,122,760
Due from other banks in foreign countries	16,532,527	15,469,984	20,539,621
Due from other banks in Great Britain	3,134,319	2,892,089	375,597
Dominion Government debentures or stock	3,188,463	3,188,463	3,285,975
Public municipal and railway securities	18,307,865	17,696,817	14,396,291
Call loans on bonds and stocks	15,196,361	14,780,002	17,655,291

	Mar., 1894.	Feb., 1894	Mar., 1893
Loans to Dominion and Provincial Governments	$ 919,329	$ 1,583,244	$ 1,115,010
Current loans and discounts	202,333,799	199,523,609	204,913,994
Due from other banks in Canada in daily exchanges	188,889	125,103	78,430
Overdue debts	3,081,521	3,006,637	2,426,202
Real estate	874,162	818,119	982,667
Mortgages on real estate sold	628,438	629,050	756,264
Bank premises	5,272,672	5,231,824	4,854,263
Other assets	1,554,781	1,628,895	1,440,628
Total assets	$303,523,299	$299,052,441	$302,490,430

Average amount of specie held during the month	$7,464,894	$7,387,537	$8,185,941
Average Dominion notes held during the month	13,643,683	13,667,880	11,833,742
Loans to directors or their firms	8,151,769	8,311,889	7,380,404
Greatest amounts of notes in circulation during month	31,662,554	31,523,316	34,666,646

STATEMENT OF BANKS acting under Dominion Government charter for the month ending 30th April, 1894, with comparisons:

LIABILITIES.

	Apr., 1894.	Mar., 1894.	Apr., 1893
Capital authorized	$ 75,458,685	$ 75,458,685	$ 75,458,685
Capital paid up	62,111,449	62,110,249	61,947,404
Reserve Fund	26,712,002	26,655,036	25,352,962

Notes in circulation	$ 29,996,472	$ 30,702,607	$ 32,633,073
Dominion and Provincial Government deposits	6,043,453	7,117,359	5,573,179
Public deposits on demand	63,772,064	60,955,817	64,542,427
Public deposits after notice	109,589,042	108,754,069	104,218,667
Bank loans or deposits from other banks secured	9,297	....	162,129
Bank loans or deposits from other banks unsecured	2,194,830	2,713,748	2,526,592
Due other banks in Canada in daily exchanges	139,641	149,239	99,606

	April, 1894.	Mar., 1894.	April, 1893.
Due other banks in foreign countries	$ 179,331	$161,859	$139,765
Due other banks in Great Britain	5,927,216	5,369,168	6,101,647
Other liabilities	152,091	281,982	273,151
Total liabilities	$218,003,543	$216,238,956	$216,268,317

ASSETS.

Specie	$ 7,435,334	$ 7,484,284	$ 6,950,525
Dominion notes	13,794,153	13,644,002	12,427,480
Deposits to secure note circulation	1,813,584	1,818,584	1,761,259
Notes and cheques of other banks	7,110,243	6,129,432	6,127,137
Loans to other banks secured..	....	145	150,000
Deposits made with other banks	2,571,688	3,136,393	3,083,111
Due from other banks in foreign countries	14,829,532	16,532,527	17,165,455
Due from other banks in Great Britain	3,355,287	3,134,319	2,324,891
Dominion Government debentures or stock	3,188,463	3,188,463	3,253,356
Public municipal and railway securities	19,023,063	18,307,865	14,356,982
Call loans on bonds and stocks	15,444,830	15,196,361	16,469,427
Loans to Dominion and Provincial Governments	391,924	919,329	1,341,874
Current loans and discounts ..	205,051,675	202,333,799	206,789,141
Due from other banks in Canada in daily exchanges	149,808	188,889	120,011
Overdue debts................	2,950,969	3,081,521	2,179,295
Real estate	866,536	874,162	1,016,349
Mortgages on real estate sold ..	636,293	628,438	753,299
Bank premises................	5,296,824	5,272,672	4,869,149
Other assets..................	1,664,987	1,654,781	1,276,520
Total assets	$305,575,405	$303,523,299	$302,415,455
Average amount of specie held during the month	$ 7,419,164	$ 7,464,894	$ 6,435,320
Average Dominion notes held during the month	13,197,299	13,643,683	11,868,759
Loans to directors or their firms	7,929,550	8,151,769	7,361,304
Greatest amount of notes in circulation during month	31,453,090	31,662,554	35,015,086

STATEMENT OF BANKS acting under Dominion Government charter for the month ending 31st May, 1894, with comparisons :

LIABILITIES

	May, 1894.	April, 1894.	May, 1893.
Capital authorized	$ 75,458,685	$75,458,685	$75,458,685
Capital paid up	62,112,169	62,111,449	61,950,054
Reserve Fund	27,127,002	26,712,002	25,981,362
Notes in circulation	$ 28,467,718	$ 29,996,472	$ 31,027,342
Dominion and Provincial Government deposits	6,410,724	6,043,453	6,283,724
Public deposits on demand	62,926,305	63,772,064	64,850,710
Public deposits after notice	110,905,804	109,559,042	105,581,121
Bank loans or deposits from other banks secured	78,238	9,297	160,000
Bank loans or deposits from other banks unsecured	2,247,866	2,194,530	2,656,417
Due other banks in Canada in daily exchanges	127,524	139,641	158,440
Due other banks in foreign countries	193,246	179,331	163,758
Due other banks in Great Britain	6,487,109	5,927,216	5,504,346
Other liabilities	818,694	152,091	777,665
Total liabilities	$218,663,313	$218,003,543	$218,102,617

ASSETS

	May, 1894.	April, 1894.	May, 1893.
Specie	$ 7,539,763	$ 7,435,334	6,672,163
Dominion notes	13,982,924	13,794,153	12,557,993
Deposits to secure note circulation	1,813,584	1,813,584	1,701,259
Notes and cheques of other banks	6,164,182	7,110,243	7,066,104
Loans to other banks secured	....	....	160,000
Deposits made with other banks	2,718,603	2,571,688	3,407,596
Due from other banks in foreign countries	15,024,744	14,829,532	17,814,497
Due from other banks in Great Britain	2,736,380	3,355,287	1,152,665
Dominion Government debentures or stock	3,187,438	3,188,463	3,214,844
Public municipal and railway securities	18,775,347	19,023,063	14,797,089
Call loans on bonds and stock	14,637,324	15,444,830	13,213,332

	May, 1894.	April, 1894.	May, 1893.
Loans to Dominion and Provincial Governments........	$ 373,713	$ 391,924	$ 1,534,872
Current loans and discounts ..	207,122,494	205,051,675	207,685,450
Due from other banks in Canada in daily exchanges..........	160,237	149,808	132,552
Overdue debts	2,791,922	2,950,969	2,041,068
Real estate	921,186	866,536	1,039,981
Mortgages on real estate sold..	629,164	636,293	709,320
Bank premises	5,340,354	5,296,824	4,861,852
Other assets	1,336,887	1,664,987	1,326,086
Total assets............	$305,256,446	$305,575,405	$303,169,653
Average amount of specie held during the month	7,468,402	7,419,164	6,424,070
Average Dominion notes held during the month	13,699,257	13,197,299	12,222,977
Loans to directors or their firms	8,239,804	7,929,550	7,443,137
Greatest amount of notes in circulation during month	30,466,853	31,453,090	33,637,459

MONTHLY TOTALS OF BANK CLEARINGS at the cities of Montreal, Toronto, Halifax, Hamilton and Winnipeg.

	MONTREAL.		*TORONTO		HALIFAX		HAMILTON.		WINNIPEG
	1892-3	1893-4	1892-3	1893-4	1892-3	1893-4	1892-3.	1893-4	1894
	$	$	$	$	$	$	$	$	$
June	46,744,964	47,244,749	26,994,818	25,823,084	4,984,839	5,105,123	3,240,330	3,204,246	
July........	54,216,858	49,301,208	28,784,681	27,043,625	5,237,688	5,510,010	3,185,734	3,274,564	
August	50,329,314	47,414,660	24,228,431	22,311,189	5,286,057	5,414,015	2,960,314	2,847,937	
September..	50,240,258	43,767,089	25,036,156	24,505,010	4,351,105	4,993,555	2,922,972	3,091,370	
October	57,563,274	47,266,474	29,701,003	25,264,232	5,049,284	5,489,398	3,545,843	3,227,927	
November ..	57,738,128	47,291,960	30,998,827	25,997,046	4,869,873	5,158,297	3,478,297	3,150,008	
December ..	53,334,498	45,108,976	32,157,099	25,398,315	5,289,252	4,884,773	3,716,428	3,147,810	
January	50,498,973	42,796,705	30,226,941	27,267,606	5,044,466	4,931,374	3,292,386	3,087,570	4,318,310
February ..	46,149,369	35,478,026	23,704,495	19,209,967	4,202,569	3,981,452	2,830,935	2,671,799	3,132,537
March	50,791,417	45,715,370	26,282,197	22,893,878	4,759,004	4,744,920	3,124,681	2,739,064	3,510,411
April	42,274,827	40,942,256	26,974,686	21,473,193	4,906,327	4,467,920	3,122,325	3,078,330	2,955,886
May	49,629,342	45,585,937	25,747,669	24,173,820	5,334,245	4,871,141	3,510,787	2,977,812	3,455,039
	609,511,242	537,913,410	330,840,203	291,360,967	59,314,709	59,552,014	38,931,032	36,498,437	17,372,819

*NOTE.—These totals do not include the Bank of Toronto

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